

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input checked="" type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name CITY OF FRANKENMUTH	County SAGINAW
Fiscal Year End 6/30/06	Opinion Date 10/26/06	Date Audit Report Submitted to State 12/07/06	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES  
NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input type="checkbox"/>	NO RECOMMENDATIONS WERE REQUIRED	
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) GARDNER, PROVENZANO, SCHAUMAN & THOMAS, P.C.		Telephone Number	
Street Address 4855 STATE STREET		City SAGINAW	State MI
		Zip 48603	
Authorizing CPA Signature <i>Heather A. Thomas</i>		Printed Name HEATHER A. THOMAS	License Number



**Gardner | Provenzano  
Schauman & Thomas**

**CERTIFIED PUBLIC ACCOUNTANTS**

Frederick C. Gardner  
Giacamo Provenzano  
James R. Schauman  
Heather A. Thomas

## **CITY OF FRANKENMUTH**

**Frankenmuth, Michigan**

**Financial Statements  
June 30, 2006**



CITY OF FRANKENMUTH  
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Schuman & Thomas**

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**INDEPENDENT AUDITOR'S REPORT**

October 26, 2006

Honorable Mayor and Members  
of the Frankenmuth City Council  
City of Frankenmuth  
Frankenmuth, Michigan

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Frankenmuth, Michigan, as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Frankenmuth, Michigan's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with United States generally accepted auditing standards and standards prescribed by the State Treasurer. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Frankenmuth, Michigan, at June 30, 2006, and the respective changes in financial position and cash flows where applicable, thereof for the year then ended, in conformity with U.S. generally accepted accounting principles and with applicable rules and regulations of the State Treasurer.

The management's discussion and analysis (identified in the table of contents) is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

The accompanying required supplemental information and other supplemental information, as identified in the table of contents, are not required parts of the basic financial statements. The required supplemental information is information required by the Governmental Accounting Standards Board; the other supplemental information is presented for the purpose of additional analysis. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Frankenmuth, Michigan's basic financial statements. The required supplemental information and other supplemental information have been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Gardner, Provengano, Schauman & Thomas, P.C.*

Certified Public Accountants



CITY OF FRANKENMUTH  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

---

**Overview of the Financial Statements**

The City of Frankenmuth, Michigan's (the "City") annual report consists of this analysis (management's discussion and analysis), government-wide financial statements, fund financial statements, notes to the financial statements, required supplemental information, and other supplemental information.

The City fully implemented the Governmental Accounting Standards Board's (GASB) Statement No. 34. As allowed by Gasb-34 for Phase Three governments, the City of Frankenmuth did not recognize infrastructure assets that were not already in the general fixed assets account groups retroactively. This accounting pronouncement, among other changes, adds government-wide financial statements which were designed to provide a broad overview of the City's finances. The government-wide statements are presented on a full accrual basis of accounting, with an emphasis on measuring all economic resources and not just current financial resources as measured in the individual fund statements. These statements make a distinction between governmental activities for example public safety and public works and business-type activities such as the provision of water and sewerage service. Two government-wide statements are provided. These statements will show a comparison from the prior year's fiscal year data.

One government-wide statement, the statement of net assets, presents information on all of the City's assets and liabilities with the difference shown as net assets. Increases or decreases of net assets from period to period provide useful information on the direction of the City's financial position over time.

The other government-wide statement, the statement of activities, provides information on how the government-wide net assets changed during the fiscal year. This statement provides information on income, expenses, and other increases or decreases in net assets.

Following the government-wide statements, individual fund financial statements are provided for the City's major funds and compiled financial information is provided for non-major funds. These statements are grouped into governmental funds, which account for the cost of providing governmental-type services for example public safety and public works and proprietary funds which account for business-type activities such as provision of water and sewer services.

Reconciliations between the individual fund statements and the government-wide financial statements are provided following the individual fund statements. The differences are primarily related to inclusion of capital assets and recognition of certain receivables and long-term liabilities in the government-wide statement of net assets, which are not included in the fund balance sheets, and related to the timing of reporting capital outlays and debt principal repayment in the fund statements and a difference in the timing of the recognition of certain revenues

CITY OF FRANKENMUTH  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

**Overview of the Financial Statements (cont.)**

and expenditures such as bond proceeds and accrued interest in the individual fund statements versus the government-wide statements.

**Financial Position and Results of Operation for the City as a Whole**

The City of Frankenmuth's Governmental Wide activities indicates an increase in net assets of \$165,845 for fiscal year 2005-06. This compares to an increase in net assets of \$1,561,605 for the prior fiscal year. This is the consolidated result of the General Fund, Special Revenue Funds, Capital Project Funds, Debt Service Funds and Internal Service activity.

Net assets of the Business-type activities, (Water and Waste Treatment Funds) decreased by \$146,263 for fiscal year 2005-06. This compares to a decrease of \$13,508 for the prior fiscal year. Water rates were amended this fiscal year to reflect the adjustments made to the cost of the raw water from our supplier. Outside the purchase of the raw water, the largest single expenditure in both funds is depreciation expense of \$1,102,651. The Waste Treatment Fund did not receive a General Fund transfer of \$128,874 to assist with debt service as a result of G. Heilmann bankruptcy in 1991. This transfer had been made in previous years.

In a condensed format, the tables below show the net assets and changes in net assets as of June 30, 2006 with comparable data for the prior fiscal year.

	Government Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
<b>Assets</b>						
Current assets	\$ 5,088,084	\$ 5,762,801	\$ 1,706,210	\$ 1,538,952	\$ 6,794,294	\$ 7,301,753
Noncurrent assets	10,982,196	11,238,196	24,509,690	25,602,458	35,491,886	36,840,654
Total Assets	<u>\$ 16,070,280</u>	<u>\$ 17,000,997</u>	<u>\$ 26,215,900</u>	<u>\$ 27,141,410</u>	<u>\$ 42,286,180</u>	<u>\$ 44,142,407</u>
<b>Liabilities</b>						
Current liabilities	\$ 3,330,212	\$ 3,784,233	\$ 1,649,983	\$ 1,622,269	\$ 4,980,195	\$ 5,406,502
Long-term liabilities	9,462,399	10,104,940	8,083,071	8,890,034	17,545,470	18,994,974
Total Liabilities	<u>12,792,611</u>	<u>13,889,173</u>	<u>9,733,054</u>	<u>10,512,303</u>	<u>22,525,665</u>	<u>24,401,476</u>
<b>Net Assets</b>						
Investment in capital assets-						
net of related debt	754,435	404,187	5,886,128	5,325,574	6,640,563	5,729,761
Restricted for debt service	94,044	85,561	-	-	94,044	85,561
Unrestricted	2,429,190	2,622,076	10,596,718	11,303,533	13,025,908	13,925,609
Total Net assets	<u>\$ 3,277,669</u>	<u>\$ 3,111,824</u>	<u>\$ 16,482,846</u>	<u>\$ 16,629,107</u>	<u>\$ 19,760,515</u>	<u>\$ 19,740,931</u>

The above table presents the net assets as of June 30, 2006 and 2005. The change in net assets for the 2006-2005 and 2004-2005 year is presented and discussed below in Table 2.

**CITY OF FRANKENMUTH  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

**Financial Position and Results of Operation for the City as a Whole (cont.)**

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Revenue						
Program revenue						
Charges for services	\$ 1,399,671	\$ 1,233,802	\$ 2,174,804	\$ 2,680,248	\$ 3,574,475	\$ 3,914,050
Operating grants and contributions	1,362,843	1,347,935	-	-	1,362,843	1,347,935
Capital grants and contributions	202,665	465,775	413,040	322,546	615,705	788,321
General revenue						
Property taxes	2,801,483	2,770,968	-	-	2,801,483	2,770,968
State Shared revenue	416,414	423,527	-	-	416,414	423,527
License and permits	90,770	143,262	-	-	90,770	143,262
Unrestricted investment earnings	229,612	185,228	69,564	52,544	299,176	237,772
Gain on sale of capital assets	75	5,590	-	-	75	5,590
Other revenues	49,491	401,043	-	-	49,491	401,043
Transfers	(211,553)	(240,457)	211,553	240,457	-	-
Total Revenue	<u>6,341,471</u>	<u>6,736,673</u>	<u>2,868,961</u>	<u>3,295,795</u>	<u>9,210,432</u>	<u>10,032,468</u>
Program Expense						
General government	1,485,835	1,247,572	-	-	1,485,835	1,247,572
Public safety	1,146,235	1,098,911	-	-	1,146,235	1,098,911
Highways and Street	518,867	498,417	-	-	518,867	498,417
Sanitation	275,002	279,352	-	-	275,002	279,352
Economic development-DDA	642,666	611,674	-	-	642,666	611,674
Culture-recreations	1,104,855	734,496	-	-	1,104,855	734,496
Interest on long term debt	622,129	351,289	-	-	622,129	351,289
Equipment	380,037	353,357	-	-	380,037	353,357
Water and waste water	-	-	3,015,222	3,309,303	3,015,222	3,309,303
Total Program Expenses	<u>6,175,626</u>	<u>5,175,068</u>	<u>3,015,222</u>	<u>3,309,303</u>	<u>9,190,848</u>	<u>8,484,371</u>
Change in Net Assets	<u>\$ 165,845</u>	<u>\$ 1,561,605</u>	<u>\$ (146,261)</u>	<u>\$ (13,508)</u>	<u>\$ 19,584</u>	<u>\$ 1,548,097</u>

**Governmental Activities**

The City continues to experience moderate growth in tax revenues based on the increased developments in the residential and commercial sectors. Expenditures overall have remained fairly constant; however, we have experienced significant rate increases in employee health care premiums and in the employer contribution for employee pension benefits.

State-shared revenues, statutorily designated to support local community services and historically about 15% of the City's general operating revenues, have continued to decline to approximately 10% for fiscal year 2005-06. While not significant, the trend from the State of Michigan appears that it will continue. Over a five year period of time, the City has received \$65,000 less in State shared revenues.

The City strives to maintain a cash reserve in the three to six month range as recommended by our independent auditors. Based upon the 2006-2007 budgeted General Fund expenditures, we have approximately 4.3 months in reserves which falls in the desired level.

### **Business-type Activities**

The City operates a water department and sewer treatment department. These departments provide water and sewage services to all the City's residents. Water is provided to some areas outside the City corporate limits. Rates are set to provide for annual operations, maintenance, replacement, and for the payment of debt service requirements. The Water Board reviews the rate structure annually. In the prior year, our wholesale water supplier has again changed the methodology they charge their wholesale customers which prompts us to make appropriate changes to the rates charged to our customers. We have hired a consultant to investigate our options for an alternate water source and that project continues. The Waste Treatment Committee reviews that department's operation. Based on costs and operations, a rate increase is being reviewed and discussed.

### **Analysis of Individual Funds**

Of the City's governmental funds, the General Fund, the Major and Local Street Funds, and the Downtown Development Authority Fund account for most of the significant expenditures other than for debt service.

The General Fund ended the fiscal year with an increase to the fund balance in the amount of \$256,166. A concerted effort by the City Council and management was made to reverse the prior years decreasing trends and move in a positive direction. Property taxes remain the major revenue source (50%), followed by charges for services (26%), State shared revenue (10%), and licenses and permits, fines and forfeits and other revenues making up the balance of the general fund revenue. The total General Fund revenues for fiscal year 2005-06 increased by 13.1% over the preceding fiscal year.

Both the Major and Local Street Funds continue to struggle with limited funds available to undertake construction or reconstruction projects. The major source of revenue comes from the State gas and weight taxes. The General Fund annually transfers money into these street funds for any planned construction project. The ending fund balance in these street funds is \$62,159 for fiscal year 2005-06, this compares to an ending balance of \$9,216 for the prior fiscal year.

The Downtown Development Authority Fund, along with their construction fund, receives the majority of their revenue from property taxes, captured taxes and special assessments. The majority of the planned infrastructure and beautification projects have been completed.

### **General Operating Fund Budget Highlights**

During the annual budget process, the City completes an extensive review of the current year budget, culminating in a budget amendment to appropriate the revised expenditure estimates.

CITY OF FRANKENMUTH  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

---

**General Operating Fund Budget Highlights (cont.)**

The City did amend the originally adopted budget, once in March 2006 and again in June 2006. The most significant expenditure variances between the first budget adopted and the final budget adopted are as follows:

- The General Government function was amended to accommodate an expected increase of \$93,450. This adjustment was mainly due to account for two changes. One being the spatial needs project undertaken in this fiscal year and due to other personal services original budget underestimated.
- The Public Safety function was increased \$76,050 due to an increase in fringe benefit costs, new office equipment for the spatial needs project, additional legal services required, and a purchase of a trailer utilizing donated funds.

Significant expenditure variances between the final budget and actual results are as follows:

- The \$290,317 variance in the other revenues was due primarily to unbudgeted donations for debt service from the Frankenmuth Rotary club for the Harvey Kern project. Also, there was a transfer of reserved funds designated for the East Genesee sidewalk project.
- Highway and Streets expenditures were \$64,313 less than budgeted mainly due to the timing of the East Genesee sidewalk project and reimbursement for this project from the contract.

**Capital Asset and Long-term Debt Activity**

Major capital asset and infrastructure additions in governmental funds consisted of culvert and sidewalk improvements along E. Genesee Street, the Harvey Kern Pavilion project in Heritage Park and the final D.D.A.'s Weiss Street construction improvements.

In the Water and Sewer Funds, additional residential subdivision developments along with water and sewer improvements along South Main Street and the Weiss Street areas were finalized.

Besides new subdivision developments, there are currently no significant planned capital assets additions.

The City did authorize to refinance three general obligation DDA debt issues which will save the City approximately \$140,000 over the next twenty years. The City did service all outstanding debt on a timely basis. There are no planned additional debt issues at this time.

CITY OF FRANKENMUTH  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

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**Economic Factors and Next Year's Budgets and Rates**

The City's tax mill rate of 9.60 has been in effect since the 1997-98 fiscal year. The growth of the taxable value over this period has provided increased tax revenues to allow for no change in the mill levy. The limiting factor on tax revenue growth in the General Fund results from the capture of commercial tax values in the D.D.A. District.

A tax appeal, by one of the City's largest taxpayers, has been settled which had limited adverse impact on the D.D.A. Fund. Additionally, two major tax appeals have been filed for other large taxpayers within the D.D.A.

The City has experienced no specific events which it believes will materially impact the finances of the City. It should be noted that certain long-term trends such as the capture of commercial property tax revenues and shrinking state-shared revenues, will have a direct impact on the City's ability to provide current services as inflation and the cost of providing services increases. Currently, adequate cash reserves and authorized unlevied millage ensures provision of current services in the near term as the City meets these challenges and plans for the future.

**Contacting the City's Financial Management**

This financial report is designed to provide accountability of our stewardship of the resources provided by our citizens, taxpayers, and customers and to provide financial information to the City's investors and creditors. If you have any questions about this report or need additional financial information, please do not hesitate to contact the City Manager or City Treasurer at Frankenmuth City Hall, 240 West Genesee Street, Frankenmuth, MI 48734-1398.

CITY OF FRANKENMUTH  
STATEMENT OF NET ASSETS  
JUNE 30, 2006

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash	\$ 2,088,412	\$ 1,223,078	\$ 3,311,490
Investments	160,957	-	160,957
Accounts Receivable	193,511	320,376	513,887
Special Assessments Receivable	2,209,914	66,645	2,276,559
Due from other funds	126,292	19,952	146,244
Due from other governmental units	183,005	-	183,005
Inventory	21,817	46,136	67,953
Prepaid expenses	104,176	30,023	134,199
Total Current assets	5,088,084	1,706,210	6,794,294
Noncurrent Assets			
Restricted accounts receivable	-	9,120,940	9,120,940
Special Assessments net of current portion	-	609,201	609,201
Net Capital assets	10,982,196	14,779,549	25,761,745
Total Noncurrent Assets	10,982,196	24,509,690	35,491,886
Total assets	16,070,280	26,215,900	42,286,180
<b>LIABILITIES</b>			
Accounts payable	307,377	169,642	477,019
Accrued payroll	-	6,662	6,662
Due to other funds	95,045	51,199	146,244
Deferred special assessments	2,162,428	612,130	2,774,558
Noncurrent liabilities:			
Due within one year	765,362	810,350	1,575,712
Due in more than one year	9,462,399	8,083,071	17,545,470
Total liabilities	12,792,611	9,733,054	22,525,665
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	754,435	5,886,128	6,640,563
Restricted for debt service	94,044	-	94,044
Unrestricted	2,429,190	10,596,718	13,025,908
Total net assets	\$ 3,277,669	\$ 16,482,846	\$ 19,760,515

The accompanying notes are an integral part of these financial statements.

CITY OF FRANKENMUTH  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2006

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	
					Governmental Activities	Business-type Activities
<b>Governmental activities:</b>						
General Government	\$ 1,485,835	\$ 304,451	\$ 146,963	\$ 6,139	\$ (1,028,282)	\$ -
Public Safety	1,146,235	208,524	322,693	-	(615,018)	-
Highways & Streets	518,867	-	355,545	29,406	(133,916)	-
Sanitation	275,002	322,337	-	-	47,335	-
Economic Development - DDA	642,666	-	-	167,120	(475,546)	-
Culture - recreations	1,104,855	147,216	537,642	-	(419,997)	-
Interest on Long Term Debt	622,129	-	-	-	(622,129)	-
Equipment	380,037	417,143	-	-	37,106	-
Total governmental activities	6,175,626	1,399,671	1,362,843	202,665	(3,210,447)	-
<b>Business-type Activities:</b>						
Wastewater Treatment Fund	1,726,536	763,232	-	180,248	-	(783,056)
Water Fund	1,288,686	1,411,572	-	232,792	-	355,678
Total business-type activities	3,015,222	2,174,804	-	413,040	-	(427,378)
Total primary government	\$ 9,190,848	\$ 3,574,475	\$ 1,362,843	\$ 615,705	(3,210,447)	(3,637,825)
<b>General revenues:</b>						
Property Taxes					2,801,483	-
State Shared Revenue					416,414	-
License & Permits					90,770	-
Unrestricted investment earnings					229,612	69,564
Gain on Sale of Capital Assets					75	-
Other Revenues					49,491	-
Transfers					(211,553)	211,553
Total general revenues					3,376,292	281,117
Change in net assets					165,845	(146,261)
Net assets - beginning					3,111,824	16,629,107
Net assets - ending					\$ 3,277,669	\$ 16,482,846
						\$ 19,760,515

The accompanying notes are an integral part of these financial statements.



CITY OF FRANKENMUTH  
GOVERNMENTAL FUNDS BALANCE SHEET  
JUNE 30, 2006

	General	Parks and Recreation	DDA Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
<u>Assets</u>					
Cash	\$ 1,312,843	\$ 72,952	\$ 212,228	\$ 267,182	\$ 1,865,205
Investments	63,249	-	-	97,708	160,957
Receivables					
Accounts	122,593	63,136	4,469	282	190,480
Special assessments	20,345	-	2,043,290	146,279	2,209,914
Due from other funds	101,603	9,549	24,624	66,587	202,363
Due from other governmental units	66,906	-	-	116,099	183,005
Inventory	20,132	-	-	-	20,132
Accrued interest receivable	-	-	-	106	106
Prepaid expenditures	72,957	6,611	1,562	11,077	92,207
Total	<u>\$ 1,780,628</u>	<u>\$ 152,248</u>	<u>\$ 2,286,173</u>	<u>\$ 705,320</u>	<u>\$ 4,924,369</u>
<u>Liabilities</u>					
Liabilities					
Accounts payable	\$ 119,832	\$ 17,433	\$ 43,306	\$ 49,336	\$ 229,907
Accrued expenditures	65,074	1,528	2,083	-	68,685
Due to other funds	114,259	31,531	15,418	122,945	284,153
Deferred revenue	59,551	19,410	1,913,026	166,839	2,158,826
Total Liabilities	<u>358,716</u>	<u>69,902</u>	<u>1,973,833</u>	<u>339,120</u>	<u>2,741,571</u>
Fund Equity					
Fund Balance					
Reserved for debt retirement	-	-	-	94,044	94,044
Reserved for inventories	20,132	-	-	-	20,132
Undesignated	1,401,780	82,346	312,340	272,156	2,068,622
Total Fund Equity	<u>1,421,912</u>	<u>82,346</u>	<u>312,340</u>	<u>366,200</u>	<u>2,182,798</u>
Total Liabilities and Fund Equity	<u>\$ 1,780,628</u>	<u>\$ 152,248</u>	<u>\$ 2,286,173</u>	<u>\$ 705,320</u>	<u>\$ 4,924,369</u>

The accompanying notes are an integral part of these financial statements.

CITY OF FRANKENMUTH  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE  
SHEET TO THE CITY-WIDE STATEMENT OF NET ASSETS  
JUNE 30, 2006

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Fund balances of governmental funds	\$	2,182,798
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources; and therefore, are not reported in the funds.		
Capital assets		13,758,249
Accumulated depreciation		(3,424,914)
Long-term liabilities, including bonds payable, are not due and payable in the current period; and therefore, are not reported in the funds.		
		(10,227,761)
Internal service funds are used by management to charge the cost of fleet management to individual funds.		
The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.		
Net assets of governmental activities	\$	989,297
		<u>3,277,669</u>

The accompanying notes are an integral part of these financial statements.

CITY OF FRANKENMUTH  
GOVERNMENTAL FUNDS STATEMENT OF REVENUE,  
EXPENDITURES AND CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED JUNE 30, 2006

	General	Parks and Recreation	DDA Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Taxes	\$ 2,113,704	\$ -	\$ 776,392	\$ -	\$ 2,890,096
Licenses	7,825	-	-	86,450	94,275
State	416,414	-	-	360,513	776,927
Federal	-	-	-	24,065	24,065
Charges for service	1,096,677	121,800	-	-	1,218,477
Fines and forfeits	17,133	-	-	35,754	52,887
Other revenues	566,581	453,356	285,359	146,594	1,451,890
<b>Total Revenues</b>	<b>4,218,334</b>	<b>575,156</b>	<b>1,061,751</b>	<b>653,376</b>	<b>6,508,617</b>
<b>Expenditures</b>					
General government	1,116,211	-	-	-	1,116,211
Public safety	1,161,710	-	-	-	1,161,710
Public works	430,989	-	-	428,174	859,163
Recreation and cultural	-	902,049	-	290,001	1,192,050
Other expenditures	269,051	-	388,359	147,517	804,927
Debt service					
Principal retirement	-	-	-	3,707,175	3,707,175
Interest and fiscal agent charges	-	-	-	581,117	581,117
<b>Total Expenditures</b>	<b>2,977,961</b>	<b>902,049</b>	<b>388,359</b>	<b>5,153,984</b>	<b>9,422,353</b>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<b>1,240,373</b>	<b>(326,893)</b>	<b>673,392</b>	<b>(4,500,608)</b>	<b>(2,913,736)</b>
<b>Other Financing Sources (Uses)</b>					
Bond proceeds	-	-	-	3,260,000	3,260,000
Operating transfers in	-	294,500	-	1,466,813	1,761,313
Operating transfers (out)	(984,207)	(15,000)	(795,048)	(532,629)	(2,326,884)
<b>Total Other Financing Sources (Uses)</b>	<b>(984,207)</b>	<b>279,500</b>	<b>(795,048)</b>	<b>4,194,184</b>	<b>2,694,429</b>
<b>Excess (deficiency) of Revenues and Other Sources Over Expenditures and Other Uses</b>	<b>256,166</b>	<b>(47,393)</b>	<b>(121,656)</b>	<b>(306,424)</b>	<b>(219,307)</b>
<b>Fund Balances, Beginning</b>	<b>1,165,746</b>	<b>129,739</b>	<b>433,996</b>	<b>672,624</b>	<b>2,402,105</b>
<b>Fund Balances, Ending</b>	<b>\$ 1,421,912</b>	<b>\$ 82,346</b>	<b>\$ 312,340</b>	<b>\$ 366,200</b>	<b>\$ 2,182,798</b>

The accompanying notes are an integral part of these financial statements.

CITY OF FRANKENMUTH  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF  
 REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE TO THE  
 CITY-WIDE CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES  
 JUNE 30, 2006

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Net change in fund balances --total governmental funds \$ (219,307)

Amounts reported for governmental activities in the statement of activities  
 are different because:

Capital assets used in governmental activities are not financial  
 resources; and therefore, are not reported in the funds.

Depreciation expense	(500,477)
Capital Outlay	267,496

The proceeds of an issued debt provides current financial resources to  
 governmental funds, while the repayment of the principal of long-term  
 debt consumes the current financial resources of governmental funds.  
 Neither transaction has any effect on net assets.

Proceeds from the issues of debt	(3,260,000)
Repayment of debt	3,866,244

Internal service funds are used by management to charge the costs of fleet management to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	15,498
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Elimination of balances between governmental funds	(3,609)
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Change in net assets of governmental activities	<u>\$ 165,845</u>
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The accompanying notes are an integral part of these financial statements.

CITY OF FRANKENMUTH  
 PROPRIETARY FUNDS  
 STATEMENT OF NET ASSETS  
 JUNE 30, 2006

	Waste Water	Water	Enterprise Totals	Internal Service
<u>Assets</u>				
Current Assets				
Cash	\$ 117,877	\$ 1,105,201	\$ 1,223,078	\$ 223,207
Accounts receivable	162,695	157,681	320,376	-
Special assessments receivable	49,553	17,092	66,645	-
Due from other funds	4,905	15,047	19,952	114,164
Inventory	5,935	40,201	46,136	1,685
Prepaid Expenses	18,533	11,490	30,023	11,969
Total Current Assets	<u>359,498</u>	<u>1,346,712</u>	<u>1,706,210</u>	<u>351,025</u>
Non current Assets				
Restricted Assets	7,874,240	1,246,700	9,120,940	-
Special assessments receivable net of current portion	522,655	86,546	609,201	-
Net Capital Assets	<u>10,896,714</u>	<u>3,882,835</u>	<u>14,779,549</u>	<u>648,861</u>
Total Noncurrent Assets	<u>19,293,609</u>	<u>5,216,081</u>	<u>24,509,690</u>	<u>648,861</u>
Total Assets	<u>\$ 19,653,107</u>	<u>\$ 6,562,793</u>	<u>\$ 26,215,900</u>	<u>\$ 999,886</u>
<u>Liabilities and Net Assets</u>				
Current Liabilities				
Accounts Payable	\$ 90,116	\$ 79,526	\$ 169,642	\$ 9,472
Accrued Payroll	6,194	468	6,662	-
Due to other funds	23,298	27,901	51,199	1,128
Deferred Special Assessment Revenue	523,213	88,917	612,130	-
Current Portion of Long-Term Debt	<u>716,300</u>	<u>94,050</u>	<u>810,350</u>	<u>-</u>
Total Current Liabilities	<u>1,359,121</u>	<u>290,862</u>	<u>1,649,983</u>	<u>10,600</u>
Noncurrent Liabilities				
Bonds Payable (net of current portion and unamortized discount)	<u>6,929,421</u>	<u>1,153,650</u>	<u>8,083,071</u>	<u>-</u>
Total Noncurrent Liabilities	<u>6,929,421</u>	<u>1,153,650</u>	<u>8,083,071</u>	<u>-</u>
Total Liabilities	<u>8,288,542</u>	<u>1,444,512</u>	<u>9,733,054</u>	<u>10,600</u>
Net Assets				
Investment in capital assets- Net of related debt	3,250,993	2,635,135	5,886,128	648,861
Unrestricted	<u>8,113,572</u>	<u>2,483,146</u>	<u>10,596,718</u>	<u>340,425</u>
Total Net Assets	<u>11,364,565</u>	<u>5,118,281</u>	<u>16,482,846</u>	<u>989,286</u>
Total Liabilities and Net Assets	<u>\$ 19,653,107</u>	<u>\$ 6,562,793</u>	<u>\$ 26,215,900</u>	<u>\$ 999,886</u>

The accompanying notes are an integral part of these financial statements.

CITY OF FRANKENMUTH  
 PROPRIETARY FUNDS  
 STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS  
 FOR THE YEAR ENDED JUNE 30, 2006

	Waste Water	Water	Enterprise Totals	Internal Service
Operating Revenues				
Sewage disposal charges	\$ 753,135	\$ -	\$ 753,135	\$ -
Water sales	-	1,388,569	1,388,569	-
Penalties on late payments	7,344	7,856	15,200	-
Hydrant rental	-	8,000	8,000	-
Billings to departments	-	-	-	379,215
Other revenues	-	18,311	18,311	-
Total Operating Revenues	<u>760,479</u>	<u>1,422,736</u>	<u>2,183,215</u>	<u>379,215</u>
Operating Expenses				
Transmission Maintenance	119,597	-	119,597	-
Sewage purification	1,445,014	-	1,445,014	-
Distribution System Maintenance, Township	-	16,289	16,289	-
Distribution System Maintenance, City	-	112,565	112,565	-
Purification	-	1,054,481	1,054,481	-
Motor Vehicle Maintenance	-	-	-	345,908
Administration	215,916	127,694	343,610	37,738
Customer service	5,022	43,428	48,450	-
Total Operating Expenses	<u>1,785,549</u>	<u>1,354,457</u>	<u>3,140,006</u>	<u>383,646</u>
Operating Income (Loss)	<u>(1,025,070)</u>	<u>68,279</u>	<u>(956,791)</u>	<u>(4,431)</u>
Non-Operating Revenues (Expenses)				
Interest	41,366	28,198	69,564	4,067
DPW Fringe Recovery	-	-	-	5,257
Miscellaneous	89,857	47,699	137,556	10,605
Total Non-operating Revenues	<u>131,223</u>	<u>75,897</u>	<u>207,120</u>	<u>19,929</u>
Income before other revenues	<u>(893,847)</u>	<u>144,176</u>	<u>(749,671)</u>	<u>15,498</u>
Other Revenue				
Capital Contributions	93,149	510,261	603,410	-
Total Other Revenue	<u>93,149</u>	<u>510,261</u>	<u>603,410</u>	<u>-</u>
Increase (decrease) in net assets	<u>(800,698)</u>	<u>654,437</u>	<u>(146,261)</u>	<u>15,498</u>
Net Assets, Beginning	12,165,263	4,463,844	16,629,107	973,788
Net Assets, Ending	<u>\$ 11,364,565</u>	<u>\$ 5,118,281</u>	<u>\$ 16,482,846</u>	<u>\$ 989,286</u>

The accompanying notes are an integral part of these financial statements.

CITY OF FRANKENMUTH  
 PROPRIETARY FUNDS  
 STATEMENT OF CASH FLOWS  
 FOR THE YEAR ENDED JUNE 30, 2006

	Waste Water Fund	Water Fund	Enterprise Totals	Internal Service
<b>Cash Flows From Operating Activities</b>				
Receipts from customers	\$ 785,269	\$ 1,417,039	\$ 2,202,308	\$ -
Billings from other departments		-	-	367,268
Payments to suppliers	(366,607)	(879,421)	(1,246,028)	(150,281)
Payments to employees	(421,696)	(204,757)	(626,453)	(97,803)
Internal activity - Net payments to other funds	(66,325)	(41,302)	(107,627)	(18,231)
Other receipts (payments)	(4,651)	-	(4,651)	-
Net cash provided by (used in) operating activities	(74,010)	291,559	217,549	100,953
<b>Cash Flows from Capital and Related Financing Activities</b>				
Purchase of capital assets	(329,679)	(538,863)	(868,542)	(95,621)
Sale of capital assets	-	-	-	10,604
Capital contributions	93,149	510,261	603,410	-
Operating transfers	-	-	-	5,257
Principal and interest paid on capital debt	(703,963)	(90,700)	(794,663)	-
Restricted accounts receivable	708,266	91,700	799,966	-
Net cash provided by (used in) capital and related financing activities	(232,227)	(27,602)	(259,829)	(79,760)
<b>Cash Flows from Investing Activities</b>				
Interest received on investments	41,366	28,198	69,564	4,067
Special assessment revenue	88,384	41,794	130,178	-
Other	2,752	-	2,752	-
Net cash provided by (used in) investing activities	132,502	69,992	202,493	4,067
<b>Net Increase (Decrease) in Cash and cash equivalents</b>	(173,735)	333,949	160,214	25,261
Cash and cash equivalents - Beginning of year	291,612	771,252	1,062,864	197,946
Cash and cash equivalents - End of year	\$ 117,877	\$ 1,105,201	\$ 1,223,078	\$ 223,207
<b>Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities</b>				
Operating income (loss)	\$ (1,025,070)	\$ 68,279	\$ (956,791)	\$ (4,431)
Adjustments to reconcile operating income (loss) to net cash from operating activities				
Depreciation	858,193	244,458	1,102,651	118,637
Receivables	24,790	2,305	27,095	-
Due from other funds	(2,390)	445	(1,945)	(11,946)
Other assets	(4,902)	(2,556)	(7,458)	(1,684)
Accounts payable	75,500	(28,099)	47,401	609
Accrued and other liabilities	31	239	270	-
Due to other funds	(162)	6,488	6,326	(232)
Net Cash provided by (used in) operating activities	\$ (74,010)	\$ 291,559	\$ 217,549	\$ 100,953

The accompanying notes are an integral part of these financial statements.

CITY OF FRANKENMUTH  
NOTES TO FINANCIAL STATEMENTS

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NOTE 1--Summary of Significant Accounting Policies

The City of Frankenmuth is organized under Michigan's Comprehensive Home Rule City Act. City government is directed by a seven-member City Council, including the Mayor, who is elected by the community at large. This legislative body appoints a City Manager to administer the affairs of the City. The City provides the following services as authorized by its charter: public safety, highways and streets, sanitation, cultural and recreation, public improvements, planning and zoning, and general administrative services.

The City of Frankenmuth complies with Generally Accepted Accounting Principles (GAAP). The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. Proprietary funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. The City has the option of following subsequent FASB guidance for its enterprise funds; however, the City has elected not to follow subsequent guidance.

The Reporting Entity

The City has adopted the position of the National Council on Governmental Accounting (NCGA) as outlined in its Statement 3, regarding the definition of the "reporting entity." The basic criterion for including a governmental department, agency, institution, commission, public authority, or other governmental organization in a governmental unit's financial report is the exercise of oversight responsibility over such agencies by the governmental unit's elected officials. Oversight responsibility include financial interdependence, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters. Based upon these criteria, the Frankenmuth City-Township Commission is considered a separate governmental entity. The City has consolidated the Frankenmuth Beautification Committee into these financial statements.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the governmental and business-type activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.



CITY OF FRANKENMUTH  
NOTES TO FINANCIAL STATEMENTS

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NOTE 1--Summary of Significant Accounting Policies (continued)

Government-wide and Fund Financial Statements (continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items that cannot be attributed directly to any one function are reported instead as general revenue.

The City does not allocate indirect costs. An administrative fee is charged by the General Fund to the other operating funds that is eliminated like a reimbursement to recover the direct costs of the General Fund services provided.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures and expenditures relating to compensated absences are recorded only when payment is due.

It is the City's policy to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

CITY OF FRANKENMUTH  
NOTES TO FINANCIAL STATEMENTS

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NOTE 1--Summary of Significant Accounting Policies (continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation  
(continued)

A fund is defined as a fiscal and accounting entity with self-balancing set of accounts which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. The following fund types are used by the City:

Governmental Funds

General Fund--The General Fund is the general operating fund of the City. It is used to account for all financial resources, except those required to be accounted for in another fund.

Special Revenue Funds--Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Debt Service Funds--Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Capital Projects Funds--Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

Proprietary Funds

Enterprise Funds--Enterprise Funds report operations that provide services to citizens financed primarily by a user charge or activities where the periodic measurement of net income is deemed appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Internal Service Funds--These funds are used to record the financing of goods or services by the City to other departments and funds, or to other governmental units, on a cost reimbursement basis.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's water and waste water function and various other functions of the City. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

CITY OF FRANKENMUTH  
NOTES TO FINANCIAL STATEMENTS

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NOTE 1--Summary of Significant Accounting Policies (continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation  
(continued)

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relates to charges to customers for sales and services.

Operating expenses for proprietary funds include the cost of source of supply, transmission and distribution maintenance, and administrative and general expenses, including depreciation and capital assets.

All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Cash

Cash includes cash on hand and demand deposits.

Investments

Investments include money markets fund and are stated at fair value.

Receivables

Receivables consist of all revenues earned at year-end but not yet received. Outstanding balances between funds are reported as "due to/from other funds".

Any residual balances outstanding between the governmental activities and the business-type activities are reported in the governmental-wide financial statements as "internal balances".

Inventories

Inventories consist of expendable supplies held for the City's use and are carried at cost using the first-in, first-out method.

Prepaid

Prepaid amounts consist of payments for which the City will have a future benefit and will be used up at a date beyond the current year-end.

CITY OF FRANKENMUTH  
NOTES TO FINANCIAL STATEMENTS

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NOTE 1--Summary of Significant Accounting Policies (continued)

Capital Assets and Depreciation

Capital assets purchased or acquired with an original cost of \$1,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized.

Other costs incurred for repairs and maintenance are expensed as incurred. The City owns infrastructure assets such as water and sewer systems and roads and sidewalks. Depreciation on all assets is provided on the straight-line method.

Assets are depreciated over the following estimated useful lives:

Equipment and other	3-10 years
Vehicles	5-10 years
Buildings	50 years
Water and sewer mains	20-50 years
Water Towers	50 years
Water Meters	10-20 years
Other equipment	5-10 years
Infrastructure	5-50 years

The City elected not to retroactively report some infrastructure assets, which is allowable under the provisions of GASB 34.

Accounts Payable

Accounts payable consist of items from which the City benefited during the current fiscal year but has not yet paid.

Accrued Sick Leave

Accumulated and unused sick leave at year end is recognized as a liability of the respective funds in which each employee's wages are reported. The liability is calculated based upon various labor terms. Total accrued sick leave at June 30, 2006, was \$65,074.

Deferred Revenue

Deferred revenue represents amounts for which the City has received or is due to receive but has not yet earned. The revenues are deferred until the proceeds have been fully expensed/expended.

CITY OF FRANKENMUTH  
NOTES TO FINANCIAL STATEMENTS

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NOTE 1--Summary of Significant Accounting Policies (continued)

Long-term Obligations

In the government-wide financial statements, and in the proprietary fund financial statements, long-term debt is reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Inter-fund Activity

Inter-fund activity is reported as payables and transfers. Both are eliminated upon consolidation.

Property Taxes

City property taxes are an enforceable lien on property, when levied on July 1. They are due without penalty on or before July 31. These summer tax bills include the City's own property taxes, and a portion of Saginaw County taxes billed on behalf of the Intermediate School District and Delta College. Real property taxes not collected as of March 1 are returned to Saginaw County for collection. The County settles with the City for 100% of the delinquent real property taxes. Collection of delinquent personal property taxes remains the responsibility of the City Treasurer. Property taxes levied in July of each year are recognized as revenue in that year.

The City acts as a collection agent for a portion of Saginaw County, Saginaw ISD, Delta College and the Frankenmuth School District for winter property taxes. Taxes collected on behalf of these entities are turned over immediately following collection, and are accounted for in a designated agency fund. At December 31, 2005, the taxable value of real and personal property located in the City totaled \$245,128,955, including industrial and commercial facilities. The City taxable value, exclusive of industrial facilities and commercial facilities tax units, amounted to \$244,763,105.

CITY OF FRANKENMUTH  
NOTES TO FINANCIAL STATEMENTS

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NOTE 1--Summary of Significant Accounting Policies (continued)

Property Taxes (continued)

The levy for the year was based on the following rate:

	<u>Millage Rate Used</u>	<u>Authorized Millage Rate by Either State Law or City Charter</u>
General Operating	9.60	20* General

\*Limited by Headlee amendment to 18.7860 mills

NOTE 2--Stewardship, Compliance and Accountability

Budgets and Budgetary Accounting

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. At their March meeting, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget is adopted by activity.
2. Public hearings are conducted to obtain taxpayer comments.
3. The budget is legally enacted through passage of a resolution at the April City Council meeting.
4. Formal budgetary integration is employed as a measurement control device during the year for all funds.
5. Budgets for all funds are adopted and have been prepared in accordance with accounting principles generally accepted in the United States of America.
6. The legal level of budgetary control adopted by the City is the activity level.
7. Adoption and amendments of all budgets used by the City are governed by Public Act 621. The appropriations resolutions are based on the projected expenditures budget of the department heads of the City. Any amendment to the original budget must meet the requirements of Public Act 621. The City did amend its budget for the fiscal year. Any revisions that alter the total expenditures of any fund must be approved by the City Council.

CITY OF FRANKENMUTH  
NOTES TO FINANCIAL STATEMENTS

NOTE 3--Deposits and Investments

The City is authorized, by the State of Michigan, to deposit its funds in banks, savings and loan associations, or credit unions having a principal office in Michigan.

The City is also authorized to invest in the following:

- a. U.S. Treasury Bills, U.S. Treasury Notes, U.S. Treasury Bonds, and U.S. Treasury STRIPS,
- b. TINTS-Treasury Interest Securities,
- c. PRINS or STRIPS-Treasury Principal Securities,
- d. Certificates of Deposits, Saving Deposit Receipt and Savings Accounts,
- e. Commercial Paper-short term unsecured debt obligation issued by a bank holding company, finance company, utility or industrial company to raise short term cash,
- f. Repurchase Agreements,
- g. Banker's Acceptance,
- h. Investment Pools.

Cash and cash equivalents include demand deposits with original maturities of 90 days or less. All cash is held by federally insured financial institutions. The FDIC insures up to \$100,000 in demand deposits; however, separately named accounts of a governmental entity in a single financial institution may not necessarily be treated as separate deposits for the \$100,000 limitation. Investments consist of money market funds. These investments are carried at fair market value. A summary of cash and investments follow:

	Insured	Collateralized	Uninsured Uncollateralized	Total
Governmental Activities				
Cash	\$ 100,000	\$ -	\$ 1,557,901	\$ 1,657,901
Investments	100,000	-	206,111	306,111
Business-type Activities				
Cash	100,000	-	1,346,383	1,446,383
Total Deposits & Investments	<u>\$ 300,000</u>	<u>\$ -</u>	<u>\$ 3,110,395</u>	<u>\$ 3,410,395</u>

Investment held are money market funds and certificates of deposit.

CITY OF FRANKENMUTH  
NOTES TO FINANCIAL STATEMENTS

NOTE 3--Deposits and Investments (continued)

Some of the operating cash of the City is handled through a common checking account at a bank. Each Fund's share of the cash balance is accounted for by using a separate cash general ledger account within each fund.

The investment policy of the City is to invest its funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow needs of the City and comply with all state statutes governing the investment of public funds.

NOTE 4--Capital Assets

Capital assets activity for the year ended June 30, 2006, was as follows:

	Balance July 1, 2005	Additions	Disposals	Balance June 30, 2006
<b>GOVERNMENTAL ACTIVITIES</b>				
Capital assets not subject to depreciation				
Land	\$ 164,135	\$ -	\$ -	\$ 164,135
Subtotal	164,135	-	-	164,135
Capital assets subject to depreciation				
Infrastructure	7,528,306	62,765	-	7,591,071
Furniture and Equipment	1,331,017	141,331	11,686	1,460,662
Vehicles	962,951	52,591	-	1,015,542
Buildings	5,176,924	106,579	-	5,283,503
Subtotal	14,999,198	363,266	11,686	15,350,778
Accumulated Depreciation				
Infrastructure	1,145,202	348,315	-	1,493,517
Furniture and Equipment	832,686	108,704	11,686	929,704
Vehicles	530,872	82,592	-	613,464
Buildings	1,416,559	79,473	-	1,496,032
Subtotal	3,925,319	619,084	11,686	4,532,717
Net capital assets being depreciated	11,073,879	(255,818)	-	10,818,061
Net governmental capital assets	\$ 11,238,014	\$ (255,818)	\$ -	\$ 10,982,196



CITY OF FRANKENMUTH  
NOTES TO FINANCIAL STATEMENTS

**NOTE 4--Capital Assets (continued)**

	Balance July 1, 2005	Additions	Disposals	Balance June 30, 2006
<b>BUSINESS-TYPE ACTIVITIES</b>				
Capital assets not subject to depreciation				
Land	\$ 22,963	\$ -	\$ -	\$ 22,963
Subtotal	22,963	-	-	22,963
Capital assets subject to depreciation				
Buildings	17,951,534	88,510	-	18,040,044
Water towers	533,842	-	-	533,842
Distribution systems	5,585,640	489,089	-	6,074,729
Collection systems	2,886,833	246,631	-	3,133,464
Machinery & equipment	1,220,441	40,344	-	1,260,785
Meters & boxes	325,372	1,661	-	327,033
Furniture & fixtures	74,005	2,307	16,820	59,492
Subtotal	28,577,667	868,542	16,820	29,429,389
Accumulated Depreciation				
Buildings	8,865,378	696,186	-	9,561,564
Water towers	303,111	10,290	-	313,401
Distribution systems	2,380,459	207,831	-	2,588,290
Collection systems	972,299	121,795	-	1,094,094
Machinery & equipment	770,717	57,496	-	828,213
Meters & boxes	235,184	6,949	-	242,133
Furniture & fixtures	59,824	2,104	16,820	45,108
Subtotal	13,586,972	1,102,651	16,820	14,672,803
Net capital assets being depreciated	14,990,695	(234,109)	-	14,756,586
Net Business-type capital assets	\$ 15,013,658	\$ (234,109)	\$ -	\$ 14,779,549

**Depreciation expense was charged as follows:**

Governmental activities:

General government	\$ 44,017
Public safety	32,410
Public works	10,534
Recreation and culture	92,002
Economic Development - DDA	308,068
Highway & Streets	13,416
Internal Service	118,637
Total governmental activities	\$ 619,084

Business-type activities:

Waste Water Treatment	\$ 858,193
Water	244,458
Total business-type activities	1,102,651

CITY OF FRANKENMUTH  
NOTES TO FINANCIAL STATEMENTS

NOTE 5--Inter-fund Receivables, Payables and Transfers

The composition of inter-fund balances as of June 30, 2006, is as follows:

Due To/From Other Funds							
Receivable		Payable		Receivable		Payable	
General	\$ 28,276	Major Street	\$ 28,276	Waste Water	\$ 1,409	General	\$ 1,409
	13,050	Local Street	13,050		2,382	Water	2,382
	8,972	Parks & Recreation	8,972		1,062	Parks & Recreation	1,062
	6,403	DDA	6,403		52	Library	52
	27,321	Building	27,321		<u>\$ 4,905</u>		<u>\$ 4,905</u>
	2,792	Library	2,792				
	2,925	Capital Projects	2,925	Water	\$ 6,401	General	\$ 6,401
	7,279	Waste Water	7,279		82	Major Street	82
	3,745	Water	3,745		1,609	Parks & Recreation	1,609
	840	Equipment	840		3,368	DDA	3,368
	<u>\$ 101,603</u>		<u>\$ 101,603</u>		133	Library	133
					3,432	Waste Water	3,432
Major Street	<u>\$ 30,000</u>	General	<u>\$ 30,000</u>		22	Equipment	22
					<u>\$ 15,047</u>		<u>\$ 15,047</u>
Local Street	<u>\$ 15,000</u>	General	<u>\$ 15,000</u>				
				Equipment	\$ 30,838	General	\$ 30,838
Parks & Recreation	<u>\$ 9,549</u>	General Fund	<u>\$ 9,549</u>		10,392	Major Street	10,392
					15,294	Local Street	15,294
DDA	\$ 142	General Fund	\$ 142		19,888	Parks & Recreation	19,888
	154	Local Street	154		2,950	DDA	2,950
	266	Equipment	266		243	Building	243
	24,062	Capital Projects	24,062		198	Library	198
	<u>\$ 24,624</u>		<u>\$ 24,624</u>		12,587	Waste Water	12,587
					21,774	Water	21,774
Building	<u>\$ 554</u>	General	<u>\$ 554</u>		<u>\$ 114,164</u>		<u>\$ 114,164</u>
Debt Service	\$ 895	Debt Service	\$ 895				
Debt Service	17,441	General	17,441				
	<u>\$ 18,336</u>		<u>\$ 18,336</u>				
Capital Projects	<u>\$ 2,697</u>	DDA	<u>\$ 2,697</u>				

The majority of the interfund receivables and payables for the City consist of amounts due to the General fund for administrative charges, to Capital Projects for special assessment revenue, to Water and Waste Funds for service charges, and to the Equipment fund for equipment rental charges. The majority of interfund transfers consisted of payments from the General Fund for operations of the Special Revenue funds and transfers to Debt Service for the payment of bond principal and interest.

CITY OF FRANKENMUTH  
NOTES TO FINANCIAL STATEMENTS

NOTE 5--Inter-fund Receivables, Payables and Transfers (continued)

The composition of inter-fund transfers as of June 30, 2006, is as follows:

<u>Transfers In/Out</u>		<u>Transfers Out</u>		<u>Transfers In</u>		<u>Transfers Out</u>	
<u>Transfers In</u>		<u>Transfers Out</u>		<u>Transfers In</u>		<u>Transfers Out</u>	
Major Street	\$ 80,625	General	\$ 80,265	Debt Service	\$ 116,964	General	\$ 116,964
				Debt Service	109,181	Major Street	109,181
Local Street	\$ 133,000	General	\$ 133,000	Debt Service	21,090	Local Street	21,090
	33,000	Major Street	33,000	Debt Service	781,056	DDA	781,056
	<u>\$ 166,000</u>		<u>\$ 166,000</u>		<u>\$ 1,028,291</u>		<u>\$ 1,028,291</u>
Parks & Recreation	\$ 294,500	General	\$ 294,500	Capital Projects	\$ 2,265	General	\$ 2,265
				Capital Projects	3,992	DDA	3,992
General	\$ 26,597	Building	\$ 26,597		<u>\$ 6,257</u>		<u>\$ 6,257</u>
	15,000	Parks & Recreation	15,000				
	10,000	DDA	10,000	Water	\$ 325,168	East Tuscola	\$ 325,168
	<u>\$ 51,597</u>		<u>\$ 51,597</u>				
Library	<u>\$ 186,000</u>	General	<u>\$ 186,000</u>				

NOTE 6--Defined Benefit Pension Plan

Plan Description

The City's defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The City participates in the Municipal Employees Retirement System of Michigan (MERS), an agent multiple-employer plan administered by the MERS Retirement Board, Act No. 427 of the Public Acts of 1984, as amended, establishes and amends the benefit provisions of the participants in MERS. The Municipal Employees Retirement System of Michigan issues a publicly available financial report that includes financial statements and required supplementary information for MERS. That report may be obtained by writing the Municipal Employees Retirement System of Michigan, 447 N. Canal Road, Lansing, Michigan 48917 or by calling (800) 767-6377.

Funding Policy

The City is required to contribute at an actuarially determined rate; the rate at June 30, 2006 was 9.5% for general employees, and 14.53% for police officers of annual covered payroll. City employees are required to contribute 3% of their annual compensation. The contribution requirements of the City are established and may be amended by the Retirement Board of MERS. The contribution requirements of plan members, if any, are established and may be amended by the City depending on the MERS contribution program adopted by the City.

CITY OF FRANKENMUTH  
NOTES TO FINANCIAL STATEMENTS

NOTE 6—Defined Benefit Pension Plan (continued)

Annual Pension Cost

For the year ended June 30, 2006, the City's annual pension cost of \$188,832 for MERS was equal to the City's required and actual contributions. The required contribution was determined as part of the December 31, 2004, actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) an assumed rate of investment return, which is used to discount liabilities and project what plan assets will earn, (b) a mortality table projecting the number of employees who will die before retirement and duration of benefit payments after retirement, (c) assumed retirement rates projecting when employees will retire and commence receiving benefits, (d) a set of withdrawal and disability rates to estimate the number of employees who will leave the work force before retirement, (e) assumed rates of salary increase to project employees' compensation in future years. The actuarial value of MERS assets was determined on the basis of a valuation method that assumes the fund earns the expected rate of return and includes an adjustment to reflect market value.

Three-year Trend information

Fiscal Year Ended	Annual Pension Cost	Percentage of APC Contributed
6/30/2004	\$ 131,429	100%
6/30/2005	\$ 157,846	100%
6/30/2006	\$ 188,832	100%

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability Entry Age (b)	Unfunded (Over Funded) AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll (b-a)/(c)
12/31/2003	\$ 7,280,597	\$ 8,173,175	\$ 892,578	89%	\$ 1,600,276	56%
12/31/2004	\$ 7,601,270	\$ 9,182,894	\$ 1,581,624	83%	\$ 1,702,210	93%
12/31/2005	\$ 7,924,946	\$ 9,580,878	\$ 1,655,932	98%	\$ 1,682,140	98%

NOTE 7—Unemployment Compensation

The City is subject to the Michigan Employment Security Act and has elected the reimbursement method of financing. Under this method, the City must reimburse the Employment Commission for all benefits charged against the City. For the year ended June 30, 2006, the City incurred \$1,757 in unemployment expense.

CITY OF FRANKENMUTH  
NOTES TO FINANCIAL STATEMENTS

NOTE 8--Long-Term Debt

Long-term debt obligations for the year ended June 30, 2006, were as follows:

	Balance July 1, 2005	Additions	Retirements	Balance June 30, 2006	Current Portion
<b>Governmental Activities</b>					
General Obligation Bonds					
1997 DDA Bonds					
Amount of issue: \$2,600,000					
Maturing through 5/1/17	\$ 1,870,000	\$ -	\$ 1,735,000	\$ 135,000	\$ 135,000
2000 General Fund Streetscape					
Amount of issue: \$1,200,000					
Maturing through 10/1/16	890,000	-	55,000	835,000	55,000
1999 Major Street Bonds					
Amount of issue: \$332,000					
Maturing through 9/1/14	220,000	-	25,000	195,000	25,000
1999 MTF Bonds					
Amount of issue: \$380,000					
Maturing through 3/1/13	240,000	-	25,000	215,000	25,000
2000 DDA North Main Bonds					
Amount of issue: \$940,000					
Maturing through 5/1/2020	840,000	-	660,000	180,000	40,000
2001 DDA Phase 3 Bonds					
Amount of issue: \$1,300,000					
Maturing through 5/1/2021	1,230,000	-	965,000	265,000	45,000
EDC Technology Park Bonds					
Amount of issue: \$164,900					
Maturing through 9/1/09	111,931	-	22,933	88,998	24,000
Harvey Kern Pavilion Bonds					
Amount of issue: \$1,050,000					
Maturing through 10/18/2011	983,774	-	136,136	847,638	141,362
2005 Downtown Development Refunding Bonds					
Amount of issue: \$3,260,000					
Maturing through 05/01/2021	-	3,260,000	-	3,260,000	20,000
Total Governmental Activities					
General Obligation Bonds	<u>\$ 6,385,705</u>	<u>\$ 3,260,000</u>	<u>\$ 3,624,069</u>	<u>\$ 6,021,636</u>	<u>\$ 510,362</u>

CITY OF FRANKENMUTH  
NOTES TO FINANCIAL STATEMENTS

NOTE 8--Long-Term Debt (continued)

	Balance July 1, 2005	Additions	Retirements	Balance June 30, 2006	Current Portion
<b>Governmental Activities</b>					
Special Assessment Bonds					
2001 DDA Phase 3 Bonds					
Amount of issue: \$750,000					
Maturing through 10/1/25	\$ 620,000	\$ -	\$ 45,000	\$ 575,000	\$ 40,000
1997 DDA Bonds					
Amount of issue: \$1,415,000					
Maturing through 10/1/21	1,000,000	-	60,000	940,000	60,000
1988 Homestead Village Bonds					
Amount of issue: \$295,000					
Maturing through 11/1/08	65,000	-	15,000	50,000	15,000
1999 Major Street Bonds					
Amount of issue: \$332,000					
Maturing through 9/1/14	220,000	-	25,000	195,000	25,000
1999 DDA North Main Bonds					
Amount of issue: \$380,000					
Maturing through 9/1/24	305,000	-	15,000	290,000	15,000
1999 DDA North Main Bonds					
Amount of issue: \$295,000					
Maturing through 9/1/24	245,000	-	10,000	235,000	15,000
2004 Weiss Street Bonds					
Amount of issue: \$1,800,000					
Maturing through 4/1/24	1,740,000	-	60,000	1,680,000	60,000
2001 DDA Snowmelt Bonds					
Amount of issue: \$490,000					
Maturing through 9/1/16	430,000	-	25,000	405,000	25,000
Total Governmental Activities					
Special Assessment Bonds	<u>\$ 4,625,000</u>	<u>\$ -</u>	<u>\$ 255,000</u>	<u>\$ 4,370,000</u>	<u>\$ 255,000</u>

The 2001 DDA Phase 3 bonds are related to debt in both the Governmental activities and the Business-type activities. Of the \$575,000 balance, \$163,875 is debt held in the Waste Water Treatment Fund.

CITY OF FRANKENMUTH  
NOTES TO FINANCIAL STATEMENTS

NOTE 8--Long-Term Debt (continued)

	Balance July 1, 2005	Additions	Retirements	Balance June 30, 2006	Current Portion
<b>Business-type Activities</b>					
General Obligation Bonds					
2001 Waste Treatment Bonds					
Amount of issue: \$300,000					
Maturing through 10/1/15	\$ 250,000	\$ -	\$ 20,000	\$ 230,000	\$ 20,000
1997 Waste Plant Expansion Bonds					
Amount of issue: \$685,000					
Maturing through 5/1/07	200,000	-	100,000	100,000	100,000
2004 Waste Plant Expansion Bonds					
Amount of issue: \$1,200,000					
Maturing through 5/1/12	1,000,000	-	130,000	870,000	135,000
1997 Water Improvement Bonds					
Amount of issue: \$940,000					
Maturing through 5/1/17	700,000	-	40,000	660,000	45,000
2001 Waste Sag. Co. DPW Bonds					
Amount of issue: \$1,660,000					
Maturing through 6/1/16	1,390,000	-	100,000	1,290,000	105,000
1999 Waste Treatment SRF Bonds					
Amount of issue: \$6,645,000					
Maturing through 4/1/19	4,950,000	-	305,000	4,645,000	310,000
Special Assessment Bonds					
2002 E Tuscola Area Bonds					
Amount of issue: \$1,225,000					
Maturing through 10/1/16	1,050,000	-	90,000	960,000	85,000
<b>Total Business-type Activities</b>	<b>\$ 9,540,000</b>	<b>\$ -</b>	<b>\$ 785,000</b>	<b>\$ 8,755,000</b>	<b>\$ 800,000</b>

Annual debt service requirements to maturity for the above governmental and business-type bonds and contracts are as follows:

June 30,	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2007	\$ 765,362	\$ 456,970	\$ 1,222,332	\$ 800,000	\$ 283,098	\$ 1,083,098
2008	786,837	363,996	1,150,833	720,000	257,989	977,989
2009	838,504	390,644	1,229,148	735,000	236,949	971,949
2010	812,069	354,519	1,166,588	760,000	211,274	971,274
2011	829,343	320,180	1,149,523	780,000	184,724	964,724
2012 thru 2016	3,559,521	1,160,477	4,719,998	3,605,000	529,024	4,134,024
2017 thru 2021	2,165,000	417,541	2,582,541	1,355,000	60,522	1,415,522
2022 thru 2026	635,000	51,268	686,268	-	-	-
<b>Totals</b>	<b>\$ 10,391,636</b>	<b>\$ 3,515,595</b>	<b>\$ 13,907,231</b>	<b>\$ 8,755,000</b>	<b>\$ 1,763,580</b>	<b>\$ 10,518,580</b>

CITY OF FRANKENMUTH  
NOTES TO FINANCIAL STATEMENTS

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NOTE 8--Long-Term Debt (continued)

For the year ended June 30, 2006, the total interest paid on bonded debt was \$603,689.

NOTE 9--Restricted Assets, Enterprise Funds

Accounts Receivable totaling \$7,874,240 in the Waste Treatment Fund and totaling \$1,246,700 in the Water Fund are restricted and represent amounts due from customers for repayment of general obligation bonds.

NOTE 10--Enterprise Funds--Depreciation Allocation

It is the policy of the City of Frankenmuth to distribute depreciation expense between unrestricted net assets and restricted net assets resulting from prior years contributions in aid of construction, based upon the source of the funds used to acquire the capital assets.

NOTE 11--Reserved Fund Balances and Restricted Net Assets

The amount of \$94,044 in the debt service fund has been reserved and can be used solely for the retirement of debt.

NOTE 12--Downtown Development Authority Captured Value

The Downtown Development Authority initial assessed valuation was established when the district was set. Subsequent to that initial value, additions and deletions to that valuation are captured and tax dollars from that captured value are recorded in the Downtown Development Authority Fund. Proposal A changed the formula to exclude school operating millage in the captured formula.

NOTE 13--Self-Insurance Program

The City of Frankenmuth offers a self-insured dental and medical plan to all full-time employees. The City established a fund for these claims through Michigan Employee Benefit Services. Employee claims are handled through MEBS. The City is billed for the excess of the claims over the fund.

NOTE 14--Risk Management

The City of Frankenmuth is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended June 30, 2006, the City of Frankenmuth participated in the Michigan Municipal Liability and Property Pool, a public entity risk pool currently operating as a common risk management program for municipalities in the State of Michigan. The City Council pays an annual premium to the pool for its general insurance coverage. The pool is self-sustaining through member premiums.



CITY OF FRANKENMUTH  
NOTES TO FINANCIAL STATEMENTS

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NOTE 14--Risk Management (continued)

During the year ended June 30, 2006, the City also participated in the Michigan Municipal Worker's Compensation Self-Insurer's Fund (SIF) for its workers' compensation benefits. The SIF is also a common risk management program for municipalities in the State of Michigan and is self-sustaining through premiums. In the event of unusually high claims, both the SIP and the SIF have the authority to bill the members retroactively. The City continues to carry commercial insurance for other risks of loss, including employee health and property insurance.

NOTE 15--Post Employment Benefits

In addition to the pension benefits described in Note 3, the City of Frankenmuth provides post employment health insurance benefits in accordance with City's personnel regulations. In order to be eligible for health insurance coverage, a retiree must have at least ten years of full-time employment and be eligible for retirement benefits through the Municipal Employees Retirement System. For employees with at least ten years but less than thirty years of full-time employment the City will provide to retirees under sixty-five the Community Blue P.P.O. health plan with limited prescription coverage. The City will provide to retirees sixty-five years of age and over the Blue Cross Blue Shield Supplemental Coverage for Medicare benefits. After the retiree is eligible for Medicare, the retiree must pay the entire premium of the Blue Cross Blue Shield coverage. Currently, there are five participants.

During the year ended June 30, 2006, the cost for health insurance benefits to retirees was \$21,413.

NOTE 16--Contingencies and Commitments

The City is a third party guarantor of a loan between the Frankenmuth Chamber of Commerce and Standard Federal Bank in the amount of \$160,594 for remodeling of the Chamber building which the Chamber leases from the City.

Note 17--Joint Venture

In 1960, the City entered into a Joint Venture with the Township of Frankenmuth to form the Frankenmuth City-Township Commission. The Commission manages jointly owned property and equipment. The City contributes to the Frankenmuth City-Township Commission based upon the adopted budget of the Commission. Contributions to the Commission for the year ended June 30, 2006, are as follows: General Fund \$26,834, Fire Fund \$84,191, Cemetery \$2,379 and Debt Service \$103,223.

CITY OF FRANKENMUTH  
NOTES TO FINANCIAL STATEMENTS

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NOTE 18--Advance Refund of Bond Resulting in Defeasance of Debt

During the fiscal year ended June 30, 2006, the City issued \$3,260,000 in general obligation-refunding bonds with interest rates ranging between 2.75% to 4.40%. The City issued the bonds to advance refund \$3,150,000 of the outstanding series 1997 Downtown Development Bonds, 2000 Downtown Development Bonds and 2001 Downtown Development Bonds with interest rates ranging from 4.85% to 5.75%. The City used the net proceeds along with other sources to purchase State and Local Government securities. These securities were deposited in an irrevocable trust to provide for all future debt service on the refunded series bonds. As a result, the above mentioned series bonds are considered defeased, and the City has removed the liability from its accounts. The outstanding principal of the defeased bonds is \$3,150,000 as of June 30, 2006.

The advance refunding reduced the total debt service payments over the next 20 years by \$140,638. This results in an economic gain (the difference between the present values of the debt service payments on the old and new debt) of \$101,184.

## REQUIRED SUPPLEMENTAL INFORMATION

**CITY OF FRANKENMUTH**  
**GENERAL FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED JUNE 30, 2006**

	Original Budget	Amended Budget	Revenue and Expenditures Actual
<b>Revenues</b>			
Taxes	\$ 2,070,000	\$ 2,070,000	\$ 2,113,704
State revenue	412,500	412,500	416,414
Licenses and permits	10,000	10,000	7,825
Charges for Service	1,110,705	1,110,705	1,096,677
Fines and forfeits	15,400	15,400	17,133
Other revenues	276,264	276,264	566,581
<b>Total Revenues</b>	<b>3,894,869</b>	<b>3,894,869</b>	<b>4,218,334</b>
<b>Expenditures</b>			
General Government	1,017,563	1,111,013	1,116,211
Public Safety	1,067,514	1,143,564	1,161,710
Highways and streets	220,300	220,300	155,987
Sanitation	286,200	286,200	275,002
Other Expenditures	316,600	291,600	269,051
<b>Total Expenditures</b>	<b>2,908,177</b>	<b>3,052,677</b>	<b>2,977,961</b>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<b>986,692</b>	<b>842,192</b>	<b>1,240,373</b>
<b>Other Financing Sources (Uses)</b>			
Operating Transfers In (Out)	(986,692)	(1,011,692)	(984,207)
<b>Total Other Financing Sources (Uses)</b>	<b>(986,692)</b>	<b>(1,011,692)</b>	<b>(984,207)</b>
<b>Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses</b>	<b>-</b>	<b>(169,500)</b>	<b>256,166</b>
<b>Fund Balances, Beginning</b>	<b>1,165,746</b>	<b>1,165,746</b>	<b>1,165,746</b>
<b>Fund Balances, Ending</b>	<b>\$ 1,165,746</b>	<b>\$ 996,246</b>	<b>\$ 1,421,912</b>

See independent auditor's report

**CITY OF FRANKENMUTH**  
**DDA FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED JUNE 30, 2006**

	Original Budget	Amended Budget	Revenues and Expenditures Actual
Revenues			
Taxes levied	\$ 84,433	\$ 84,433	\$ 84,653
Taxes captured	798,288	798,288	691,739
Total Taxes	<u>882,721</u>	<u>882,721</u>	<u>776,392</u>
Other Revenue			
Special assessments	220,165	220,165	143,055
Interest earnings	2,000	2,000	141,113
Miscellaneous	500	500	1,191
Total other revenues	<u>222,665</u>	<u>222,665</u>	<u>285,359</u>
Total revenues	<u>1,105,386</u>	<u>1,105,386</u>	<u>1,061,751</u>
Expenditures			
Administration	191,619	191,619	187,000
Maintenance	<u>175,500</u>	<u>175,500</u>	<u>201,359</u>
Total expenditures	<u>367,119</u>	<u>367,119</u>	<u>388,359</u>
Excess of revenues over expenditures	<u>738,267</u>	<u>738,267</u>	<u>673,392</u>
Other financing sources (uses)			
Transfer out	<u>(777,036)</u>	<u>(777,036)</u>	<u>(795,048)</u>
Total other financing sources (uses)	<u>(777,036)</u>	<u>(777,036)</u>	<u>(795,048)</u>
Excess revenues and other financing sources over expenditures and other (uses)	<u>(38,769)</u>	<u>(38,769)</u>	<u>(121,656)</u>
Fund balance, beginning	433,996	433,996	433,996
Fund balance, ending	<u>\$ 395,227</u>	<u>\$ 395,227</u>	<u>\$ 312,340</u>

See independent auditor's report

**CITY OF FRANKENMUTH**  
**PARKS AND RECREATION FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED JUNE 30, 2006**

	Original Budget	Amended Budget	Revenues and Expenditures Actual
<b>Revenues</b>			
Other Governmental Units	\$ 16,500	\$ 16,500	\$ 11,500
Charges for Services	112,850	112,850	121,800
Interest	4,000	4,000	4,986
Donations	5,500	335,250	418,018
Utilities reimbursement	10,000	10,000	11,930
Miscellaneous	2,000	2,000	2,300
Nonresident fees	5,500	5,500	4,622
Total Revenues	<u>156,350</u>	<u>486,100</u>	<u>575,156</u>
<b>Expenditures</b>			
Administration	141,800	141,800	163,433
Parks division	281,800	663,900	642,649
Recreation	85,950	85,950	95,967
Total expenditures	<u>509,550</u>	<u>891,650</u>	<u>902,049</u>
Excess of revenues over expenditures	<u>(353,200)</u>	<u>(405,550)</u>	<u>(326,893)</u>
Other financing sources (uses)			
Transfer net	300,000	300,000	279,500
Total other financing sources (uses)	<u>300,000</u>	<u>300,000</u>	<u>279,500</u>
Excess revenues and other financing sources over expenditures and other (uses)	<u>(53,200)</u>	<u>(105,550)</u>	<u>(47,393)</u>
Fund balance, beginning	129,739	129,739	129,739
Fund balance, ending	<u>\$ 76,539</u>	<u>\$ 24,189</u>	<u>\$ 82,346</u>

See independent auditor's report

## OTHER SUPPLEMENTAL INFORMATION

CITY OF FRANKENMUTH  
GENERAL FUND



City of Frankenmuth  
General Fund  
Comparative Balance Sheets  
June 30, 2006 and 2005

<u>Assets</u>	<u>2006</u>	<u>2005</u>
Cash	\$ 1,312,843	\$ 802,396
Investments	63,249	61,276
Receivables		
Other	2,915	1,566
Accounts	119,678	106,373
Special assessment receivable	20,345	14,946
Due from other funds	101,603	401,977
Due from other governmental units	66,906	82,248
Inventory, supplies	20,132	20,202
Prepaid expenditures	72,957	56,113
Total Assets	<u>\$ 1,780,628</u>	<u>\$ 1,547,097</u>
 <u>Liabilities and Fund Balance</u>		
Liabilities		
Accounts payable	\$ 119,832	\$ 187,761
Due to other funds	114,259	58,318
Accrued expenditures	65,074	68,784
Deferred revenue	59,551	66,488
Total Liabilities	<u>358,716</u>	<u>381,351</u>
Fund balance-Undesignated	1,421,912	1,165,746
Total Liabilities and Fund Balance	<u>\$ 1,780,628</u>	<u>\$ 1,547,097</u>

See independent auditor's report

City of Frankenmuth  
General Fund  
Statement of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual  
For the Year Ended June 30, 2006  
(With Comparative Actual Amounts for the Year Ended June 30, 2005)

	2006			2005
	Budget	Actual	Over (Under) Budget	Actual
Revenues				
Taxes	\$ 2,070,000	\$ 2,113,704	\$ 43,704	\$ 2,021,976
State revenue	412,500	416,414	3,914	423,527
Licenses and permits	10,000	7,825	(2,175)	11,915
Charge for services	1,110,705	1,096,677	(14,028)	979,979
Fine and forfeits	15,400	17,133	1,733	9,617
Other revenues	276,264	566,581	290,317	281,844
Total revenues	<u>3,894,869</u>	<u>4,218,334</u>	<u>323,465</u>	<u>3,728,858</u>
Expenditures				
General government	1,111,013	1,116,211	5,198	951,842
Public safety	1,143,564	1,161,710	18,146	1,068,374
Highway and streets	220,300	155,987	(64,313)	167,678
Sanitation	286,200	275,002	(11,198)	279,852
Other expenditures	291,600	269,051	(22,549)	242,995
Total expenditures	<u>3,052,677</u>	<u>2,977,961</u>	<u>(74,716)</u>	<u>2,710,741</u>
Excess of revenues over expenditures	<u>842,192</u>	<u>1,240,373</u>	<u>398,181</u>	<u>1,018,117</u>
Other financing sources (uses)				
Operating transfers (net)	<u>(1,011,692)</u>	<u>(984,207)</u>	<u>27,485</u>	<u>(1,028,783)</u>
Total other financing sources (uses)	<u>(1,011,692)</u>	<u>(984,207)</u>	<u>27,485</u>	<u>(1,028,783)</u>
Excess revenues and other financing sources over expenditures and other (uses)	<u>(169,500)</u>	<u>256,166</u>	<u>425,666</u>	<u>(10,666)</u>
Fund balance, beginning	<u>1,165,746</u>	<u>1,165,746</u>	<u>-</u>	<u>1,176,412</u>
Fund balance, ending	<u>\$ 996,246</u>	<u>\$ 1,421,912</u>	<u>\$ 425,666</u>	<u>\$ 1,165,746</u>

See independent auditor's report

City of Frankenmuth  
General Fund-Statement of Revenues  
Budget and Actual  
For the Year Ended June 30, 2006  
(With Comparative Actual Amounts for the Year Ended June 30, 2005)

	2006		Over (Under) Budget	2005
	Budget	Actual		Actual
Revenues				
Taxes				
Real property taxes	\$ 1,810,000	\$ 1,851,138	\$ 41,138	\$ 1,796,318
Personal property taxes	165,000	162,641	(2,359)	126,618
Administration fee	95,000	99,925	4,925	99,040
Total taxes	<u>2,070,000</u>	<u>2,113,704</u>	<u>43,704</u>	<u>2,021,976</u>
State revenues				
State revenue sharing	6,000	15,437	9,437	22,212
State grant - PA#302	1,500	2,108	608	950
State shared liquor licenses	12,000	12,329	329	12,304
State shared statutory	73,000	55,633	(17,367)	64,880
State shared constitutional	320,000	330,907	10,907	323,181
Total state revenues	<u>412,500</u>	<u>416,414</u>	<u>3,914</u>	<u>423,527</u>
Fees				
Zoning fees	10,000	7,825	(2,175)	11,915
Total fees	<u>10,000</u>	<u>7,825</u>	<u>(2,175)</u>	<u>11,915</u>
Charges for services				
Marriage fees	250	325	75	150
Customer services	72,000	199,297	127,297	110,697
Reserve police services	7,000	3,164	(3,836)	3,981
Refuse collection	317,000	320,105	3,105	324,539
Township police services	199,336	199,352	16	179,532
Recovery of benefits	88,000	87,073	(927)	100,892
DPW fringe benefit recovery	126,000	133,080	7,080	123,710
Administration fee	301,119	154,281	(146,838)	136,478
Total charges for services	<u>1,110,705</u>	<u>1,096,677</u>	<u>(14,028)</u>	<u>979,979</u>
Fines and forfeits				
Penalties on tax collections	9,000	11,313	2,313	4,027
Ordinance fines	4,000	3,588	(412)	3,535
Penalties on refuse collection	2,400	2,232	(168)	2,055
Total fines and forfeits	<u>15,400</u>	<u>17,133</u>	<u>1,733</u>	<u>9,617</u>
Other revenues				
Interest	18,000	58,616	40,616	25,037
Sale of fixed assets	2,000	75	(1,925)	12,962
Donations	143,500	469,493	325,993	178,768
Miscellaneous	8,264	13,693	5,429	14,236
Tower site leases	25,000	18,565	(6,435)	31,100
Special assessments	75,000	6,139	(68,861)	15,241
Computer administration	4,500	-	(4,500)	4,500
Total other revenues	<u>276,264</u>	<u>566,581</u>	<u>290,317</u>	<u>281,844</u>
Total revenues	<u>\$ 3,894,869</u>	<u>\$ 4,218,334</u>	<u>\$ 323,465</u>	<u>\$ 3,728,858</u>

See independent auditor's report.

City of Frankenmuth  
General Fund  
Statement of Expenditures  
Budget and Actual (continued)  
For the Year Ended June 30, 2006  
(With Comparative Actual Amounts for the Year Ended June 30, 2005)

	2006			2005
	Budget	Actual	Over (Under) Budget	Actual
Expenditures				
General Government				
Election	\$ 8,500	\$ 4,390	\$ (4,110)	\$ 7,851
Independent audit	9,300	9,300	-	11,159
Assessor	34,200	24,887	(9,313)	30,849
General office staff	499,400	491,918	(7,482)	459,908
City-Township hall and grounds	26,834	26,834	-	23,345
City property	103,800	89,477	(14,323)	75,466
City-Township cemetery	2,379	2,316	(63)	13,241
City Hall	163,600	141,025	(22,575)	47,810
Other personal services and supplies	263,000	326,064	63,064	282,213
Total General Government	<u>1,111,013</u>	<u>1,116,211</u>	<u>5,198</u>	<u>951,842</u>
Public Safety				
Police department	932,050	950,203	18,153	844,549
Fire protection	195,414	195,414	-	196,210
Flood protection	16,100	16,093	(7)	27,615
Total Public Safety	<u>1,143,564</u>	<u>1,161,710</u>	<u>18,146</u>	<u>1,068,374</u>
Highways and Streets				
Sidewalks	147,300	86,507	(60,793)	97,614
Street lighting	73,000	69,480	(3,520)	70,064
Total Highways and Streets	<u>220,300</u>	<u>155,987</u>	<u>(64,313)</u>	<u>167,678</u>
Sanitation				
Refuse collection	286,200	275,002	(11,198)	279,852

See independent auditor's report

City of Frankenmuth  
General Fund  
Statement of Expenditures  
Budget and Actual (Continued)  
For the Year Ended June 30, 2006  
(With Comparative Actual Amounts for the Year Ended June 30, 2005)

	2006			2005
	Budget	Actual	Over (Under) Budget	Actual
Expenditures				
Other Expenditures				
Engineering and supervision	\$ 59,500	\$ 62,109	\$ 2,609	\$ 46,674
City Beautification Committee	163,000	170,472	7,472	164,578
Insurance and bonds	31,000	10,161	(20,839)	10,161
Michigan Week activities	3,600	3,091	(509)	3,696
Sister City Committee activities	500	759	259	1,568
Economic Development program	25,000	14,693	(10,307)	9,772
DDA special assessments	4,000	4,150	150	4,108
Other community promotion	5,000	3,616	(1,384)	2,438
Total Other Expenditures	<u>291,600</u>	<u>269,051</u>	<u>(22,549)</u>	<u>242,995</u>
Total Expenditures	<u>3,052,677</u>	<u>2,977,961</u>	<u>(74,716)</u>	<u>2,710,741</u>
Other Financing Uses (Sources)				
Operating transfers out (in)				
Building fund	-	(26,597)	(26,597)	-
Major Street Fund	50,000	78,000	28,000	69,000
Local Street Fund	118,000	133,000	15,000	90,000
Library Fund	201,000	186,000	(15,000)	201,000
Parks and Recreation Fund	300,000	294,500	(5,500)	295,000
Waste Treatment	-	-	-	128,874
Block Road	-	2,265	2,265	15,685
Debt Service Funds				
2002 Business Park	27,820	27,812	(8)	27,821
Homestead Village G.O.	18,842	17,726	(1,116)	18,416
Harvey Kern Pavilion G.O.	196,942	172,263	(24,679)	86,132
2000 DDA G.O.	99,088	99,238	150	96,855
Total Other Financing Uses	<u>1,011,692</u>	<u>984,207</u>	<u>(27,485)</u>	<u>1,028,783</u>
Total Expenditures and Other Financing Uses	<u>\$ 4,064,369</u>	<u>\$ 3,962,168</u>	<u>\$ (102,201)</u>	<u>\$ 3,739,524</u>

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CITY OF FRANKENMUTH  
SPECIAL REVENUE FUNDS

Major Street

Local Street

Parks and Recreation

Downtown Development Authority

Drug Law Enforcement

James E. Wickson Memorial Library

Building Department

City of Frankenmuth  
Major Street Fund  
Comparative Balance Sheets  
June 30, 2006 and 2005

<u>Assets</u>	<u>2006</u>	<u>2005</u>
Cash	\$ 16,073	\$ 91,374
Account receivable	250	-
Due from other governmental units	44,763	44,543
Due from other funds	30,000	17,242
Special assessment receivable	92,319	103,193
Total Assets	<u>\$ 183,405</u>	<u>\$ 256,352</u>
 <u>Liabilities and Fund Balance</u>		
Liabilities		
Accounts payable	\$ 19,908	\$ 1,542
Due to other funds	38,750	41,490
Deferred revenue	81,202	206,948
Total Liabilities	<u>139,860</u>	<u>249,980</u>
 Fund balance-Undesignated	 43,545	 6,372
Total Liabilities and Fund Balance	<u>\$ 183,405</u>	<u>\$ 256,352</u>

See independent auditor's report

City of Frankenmuth  
Major Street Fund  
Statement of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual  
For the Year Ended June 30, 2006  
(With Comparative Actual Amounts for the Year Ended June 30, 2005)

	2006		2005	
	Budget	Actual	Over (Under) Budget	Actual
Revenues				
State revenue				
Local roads program	\$ 7,500	\$ 7,790	\$ 290	\$ 7,790
State gas and weight tax	215,000	227,512	12,512	230,123
Trunkline maintenance	23,000	26,982	3,982	27,407
Total State Revenues	245,500	262,284	16,784	265,320
Other revenues				
Interest	8,500	9,651	1,151	8,597
Miscellaneous	-	-	-	242
Special Assessments	35,000	18,507	(16,493)	11,244
Total Other Revenues	43,500	28,158	(15,342)	20,083
Total Revenues	289,000	290,442	1,442	285,403
Expenditures				
Highway and Streets				
Improvements	-	18,263	18,263	145,627
Routine maintenance	64,000	50,216	(13,784)	73,795
Traffic services, maintenance	20,000	18,579	(1,421)	19,318
Signal charges and channel service	12,500	12,717	217	9,199
Winter maintenance	21,000	25,284	4,284	27,612
Admin. and engineering	22,000	27,681	5,681	27,897
State Trunkline maintenance	34,000	23,227	(10,773)	25,921
Tree planting and maintenance	11,000	15,386	4,386	22,111
Total Expenditures	184,500	191,353	6,853	351,480
Excess of Revenues Over Expenditures	104,500	99,089	(5,411)	(66,077)
Other Financing Sources (Uses)				
Operating transfers in	50,000	80,265	30,265	214,564
Debt service payment and transfers out	(140,980)	(142,181)	(1,201)	(145,831)
Total Other Financing Sources (Uses)	(90,980)	(61,916)	29,064	68,733
Excess of Revenues and Other Sources Over Expenditures and Other (Uses)	13,520	37,173	23,653	2,656
Fund Balance, Beginning	6,372	6,372	-	3,716
Fund Balance, Ending	\$ 19,892	\$ 43,545	\$ 23,653	\$ 6,372

See independent auditor's report



City of Frankenmuth  
Local Street Fund  
Comparative Balance Sheets  
June 30, 2006 and 2005

<u>Assets</u>	<u>2006</u>	<u>2005</u>
Cash	\$ 13,309	\$ 7,573
Due from other governmental units	15,398	15,012
Due from other funds	15,000	-
Special assessment receivable	34,184	43,663
Total Assets	<u>\$ 77,891</u>	<u>\$ 66,248</u>
 <u>Liabilities and Fund Balance</u>		
Liabilities		
Accounts payable	\$ 4,964	\$ 303
Due to other funds	28,498	27,912
Deferred revenue	25,815	35,189
Total Liabilities	<u>59,277</u>	<u>63,404</u>
 Fund balance-Undesignated	 18,614	 2,844
Total Liabilities and Fund Balance	<u>\$ 77,891</u>	<u>\$ 66,248</u>

See independent auditor's report

City of Frankenmuth  
Local Street Fund  
Statement of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual  
For the Year Ended June 30, 2006  
(With Comparative Actual Amounts for the Year Ended June 30, 2005)

	2006			2005
	Budget	Actual	Over (Under) Budget	Actual
<b>Revenues</b>				
State revenue				
Local roads program	\$ 3,000	\$ 3,087	\$ 87	\$ 3,038
State gas and weight tax	86,000	90,167	4,167	89,758
Total State Revenues	89,000	93,254	4,254	92,796
Other revenues				
Interest	4,500	3,521	(979)	3,902
Miscellaneous	-	7	7	-
Special Assessments	15,000	10,899	(4,101)	13,698
Total Other Revenues	19,500	14,427	(5,073)	17,600
Total Revenues	108,500	107,681	(819)	110,396
<b>Expenditures</b>				
Highway and Streets				
Improvements	55,000	55,527	527	144,683
Routine maintenance	86,000	80,604	(5,396)	124,039
Traffic services, maintenance	5,500	7,040	1,540	6,988
Winter maintenance	22,000	28,486	6,486	35,768
Admin. and engineering	9,000	9,017	17	8,976
Tree planting and maintenance	41,000	56,147	15,147	48,739
Total Expenditures	218,500	236,821	18,321	369,193
Excess of Revenues Over Expenditures	(110,000)	(129,140)	(19,140)	(258,797)
Other Financing Sources (Uses)				
Operating transfer in	151,000	166,000	15,000	266,196
Operating transfer out	(21,000)	(21,090)	(90)	(21,667)
Total Other Financing Sources (Uses)	130,000	144,910	14,910	244,529
Excess of Revenues and Other Sources Over Expenditures and Other (Uses)	20,000	15,770	(4,230)	(14,268)
Fund Balance, Beginning	2,844	2,844	-	17,112
Fund Balance, Ending	\$ 22,844	\$ 18,614	\$ (4,230)	\$ 2,844

See independent auditor's report

City of Frankenmuth  
Parks and Recreation Fund  
Comparative Balance Sheets  
June 30, 2006 and 2005

<u>Assets</u>	<u>2006</u>	<u>2005</u>
Cash	\$ 72,952	\$ 22,223
Accounts receivable	63,136	730,452
Due from other funds	9,549	24
Prepaid expenditures	6,611	24,024
Total Assets	<u>\$ 152,248</u>	<u>\$ 776,723</u>
 <u>Liabilities and Fund Balance</u>		
Liabilities		
Accounts payable	\$ 17,433	\$ 283,958
Due to other funds	31,531	349,085
Deferred revenue	19,410	13,047
Accrued expenditures	1,528	894
Total Liabilities	<u>69,902</u>	<u>646,984</u>
Fund balance-Undesignated	<u>82,346</u>	<u>129,739</u>
Total Liabilities and Fund Balance	<u>\$ 152,248</u>	<u>\$ 776,723</u>

See independent auditor's report

City of Frankenmuth  
Parks and Recreation Fund  
Statement of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual  
For the Year Ended June 30, 2006  
(With Comparative Actual Amounts for the Year Ended June 30, 2005)

	2006			2005
	Budget	Actual	Over (Under) Budget	Actual
Revenues				
Other Governmental Units				
Frankenmuth Township	\$ 12,000	\$ 11,500	\$ (500)	\$ 11,000
Blumfield Township	4,500	-	(4,500)	-
Total Other Governmental Units	<u>16,500</u>	<u>11,500</u>	<u>(5,000)</u>	<u>11,000</u>
Charges for Services				
Men's basketball	3,500	4,737	1,237	1,376
Men's volleyball	900	737	(163)	1,732
Women's volleyball	1,300	1,625	325	1,812
Men's slow pitch	8,800	10,084	1,284	7,131
Women's softball	3,000	1,037	(1,963)	2,371
Youth league	10,500	8,677	(1,823)	9,931
Swimming lessons	4,500	4,888	388	5,670
Pool admissions and rental	6,000	8,703	2,703	6,850
Co-ed volleyball	350	664	314	494
Lacrosse	3,500	-	(3,500)	880
AYSO soccer	7,200	4,835	(2,365)	4,063
Miscellaneous	3,500	15,029	11,529	12,518
Cross country skis rental	100	-	(100)	240
Ball diamonds rental	900	-	(900)	440
Park facilities rental	58,800	60,784	1,984	30,548
Total Charge for Services	<u>112,850</u>	<u>121,800</u>	<u>8,950</u>	<u>86,056</u>
Other Revenue				
Interest	4,000	4,986	986	11,584
Donations	335,250	418,018	82,768	727,990
Utilities reimbursement	10,000	11,930	1,930	10,021
Miscellaneous	2,000	2,300	300	1,884
Nonresident fees	5,500	4,622	(878)	4,876
Total Other Revenues	<u>356,750</u>	<u>441,856</u>	<u>85,106</u>	<u>756,355</u>
Total Revenues	<u>\$ 486,100</u>	<u>\$ 575,156</u>	<u>\$ 89,056</u>	<u>\$ 853,411</u>

See independent auditor's report.

City of Frankenmuth  
Parks and Recreation Fund  
Statement of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual (continued)  
For the Year Ended June 30, 2006  
(With Comparative Actual Amounts for the Year Ended June 30, 2005)

	2006		Over (Under)	2005
	Budget	Actual	Budget	Actual
Expenditures				
Administration	\$ 141,800	\$ 163,433	\$ 21,633	\$ 144,413
Park Division				
Capital improvements	445,600	432,661	(12,939)	1,742,618
Utilities	38,800	35,758	(3,042)	36,577
Maintenance				
Memorial Park	58,000	50,752	(7,248)	41,125
Heritage Park	85,000	70,292	(14,708)	69,958
Other parks	30,000	46,968	16,968	28,513
Band Shell	6,500	6,218	(282)	4,766
Total Parks Division	663,900	642,649	(21,251)	1,923,557
Recreation				
Swimming pool	36,000	32,207	(3,793)	27,861
Tennis	500	169	(331)	488
Ball diamonds	15,000	15,617	617	12,944
Skating rink	500	-	(500)	3,531
Volleyball	2,550	1,305	(1,245)	894
Men's basketball	3,500	5,421	1,921	5,534
Cross country skiing	100	-	(100)	-
Men's slow pitch	5,500	6,103	603	4,028
Women's softball	2,300	1,708	(592)	1,067
Youth league	10,500	7,941	(2,559)	7,384
Lacrosse	3,500	-	(3,500)	1,066
AYSO Soccer	2,500	4,782	2,282	4,815
Miscellaneous	3,500	20,714	17,214	21,474
Total Recreation Division	85,950	95,967	10,017	91,086
Total Expenditures	891,650	902,049	10,399	2,159,056
Excess (Deficiency) of Revenues Over Expenditures	(405,550)	(326,893)	78,657	(1,305,645)
Other Financing Sources				
Bond proceeds	-	-	-	1,050,000
Operating transfers in	300,000	294,500	(5,500)	295,000
Operating transfers out	-	(15,000)	(15,000)	-
Total Other Financing Sources	300,000	279,500	(20,500)	1,345,000
Excess (Deficiency) of Revenues and Other Sources Over Expenditures	(105,550)	(47,393)	58,157	39,355
Fund Balance, Beginning	129,739	129,739	-	90,384
Fund Balance, Ending	\$ 24,189	\$ 82,346	\$ 58,157	\$ 129,739
See independent auditor's report.				

City of Frankenmuth  
Downtown Development Authority Fund  
Comparative Balance Sheets  
June 30, 2006 and 2005

<u>Assets</u>	<u>2006</u>	<u>2005</u>
Cash	\$ 212,228	\$ 366,395
Accounts receivable	4,469	7,008
Due from other funds	24,624	327
Special assessment receivable	2,043,290	2,194,453
Prepaid expenditures	1,562	1,511
Total Assets	<u>\$ 2,286,173</u>	<u>\$ 2,569,694</u>
 <u>Liabilities and Fund Balance</u>		
Liabilities		
Accounts payable	\$ 43,306	\$ 7,082
Due to other funds	15,418	69,743
Deferred revenue	1,913,026	2,057,675
Accrued expenditures	2,083	1,198
Total Liabilities	<u>1,973,833</u>	<u>2,135,698</u>
Fund balance	<u>312,340</u>	<u>433,996</u>
Total Liabilities and Fund Balance	<u>\$ 2,286,173</u>	<u>\$ 2,569,694</u>

See independent auditor's report.

City of Frankenmuth  
Downtown Development Authority Fund  
Statement of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual  
For the Year Ended June 30, 2006  
(With Comparative Actual Amounts for the Year Ended June 30, 2005)

	2006			2005
	Budget	Actual	Over (Under) Budget	Actual
<b>Revenues</b>				
Taxes levied	\$ 84,433	\$ 84,653	\$ 220	\$ 84,334
Taxes captured	798,288	691,739	(106,549)	759,672
Total Taxes	882,721	776,392	(106,329)	844,006
<b>Other Revenue</b>				
Special assessments	220,165	143,055	(77,110)	204,586
Interest earnings	2,000	141,113	139,113	128,843
Miscellaneous	500	1,191	691	126
Total other revenues	222,665	285,359	62,694	333,555
Total revenues	1,105,386	1,061,751	(43,635)	1,177,561
<b>Expenditures</b>				
Administration	191,619	187,000	(4,619)	183,083
Maintenance	175,500	201,359	25,859	187,118
Total expenditures	367,119	388,359	21,240	370,201
Excess of revenues over expenditures	738,267	673,392	(64,875)	807,360
<b>Other financing sources (uses)</b>				
Transfer out	(777,036)	(795,048)	(18,012)	(806,820)
Total other financing sources (uses)	(777,036)	(795,048)	(18,012)	(806,820)
Excess revenues and other financing sources over expenditures and other (uses)	(38,769)	(121,656)	(82,887)	540
Fund balance, beginning	433,996	433,996	-	433,456
Fund balance, ending	\$ 395,227	\$ 312,340	\$ (82,887)	\$ 433,996

See independent auditor's report

City of Frankenmuth  
Downtown Development Authority  
Operating Statistics  
For the Year Ended June 30, 2006

Memo Information:

	Ad Valorem		CFT/IFT	Total
	Real	Personal	Real/ Personal	
<u>Initial assessed value:</u>	<u>\$ 29,416,400</u>	<u>\$ 10,046,900</u>	<u>\$ 2,753,250</u>	<u>\$ 42,216,550</u>
<u>Captured taxable value:</u>				
Year ended June 30, 2006	\$ 37,289,823	\$ 2,042,300	\$ (2,387,450)	\$ 36,944,673
Year ended June 30, 2005	37,338,129	1,771,700	(2,341,050)	36,768,779
Year ended June 30, 2004	32,951,377	735,377	(1,878,450)	31,808,304
Year ended June 30, 2003	31,261,176	354,755	(1,780,900)	29,835,031

See independent auditor's report



City of Frankenmuth  
Drug Law Enforcement Fund  
Comparative Balance Sheets  
June 30, 2006 and 2005

	<u>Assets</u>	<u>2006</u>	<u>2005</u>
Cash		\$ 3,358	\$ 3,116
Total Assets		<u>\$ 3,358</u>	<u>\$ 3,116</u>
	<u>Fund Balance</u>		
Fund balance		\$ 3,358	\$ 3,116
Total Fund Balance		<u>\$ 3,358</u>	<u>\$ 3,116</u>

See independent auditor's report.

City of Frankenmuth  
Drug Law Enforcement Fund  
Statement of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual  
For the Year Ended June 30, 2006  
(With Comparative Actual Amounts for the Year Ended June 30, 2005)

	2006			2005
	Budget	Actual	Over (Under) Budget	Actual
Revenues				
Drug forfeiture	\$ 1,625	\$ 2,420	\$ 795	\$ 2,917
Total revenue	<u>1,625</u>	<u>2,420</u>	<u>795</u>	<u>2,917</u>
Other Revenue				
Interest earnings	50	128	78	69
Total other revenues	<u>50</u>	<u>128</u>	<u>78</u>	<u>69</u>
Total revenues	<u>1,675</u>	<u>2,548</u>	<u>873</u>	<u>2,986</u>
Expenditures				
Supplies	-	-	-	497
Miscellaneous	-	-	-	872
New equipment	3,000	2,306	(694)	5,496
Total expenditures	<u>3,000</u>	<u>2,306</u>	<u>(694)</u>	<u>6,865</u>
Excess of revenues over expenditures	<u>(1,325)</u>	<u>242</u>	<u>1,567</u>	<u>(3,879)</u>
Fund balance, beginning	3,116	3,116	-	6,995
Fund balance, ending	<u>\$ 1,791</u>	<u>\$ 3,358</u>	<u>\$ 1,567</u>	<u>\$ 3,116</u>

See independent auditor's report

City of Frankenmuth  
James E. Wickson Memorial Library Fund  
Comparative Balance Sheets  
June 30, 2006 and 2005

<u>Assets</u>	<u>2006</u>	<u>2005</u>
Cash	\$ 112,206	\$ 122,290
Investments	48,005	46,508
Due from other governmental units	31,873	30,621
Prepaid expenditures	7,244	6,648
Total Assets	<u>\$ 199,328</u>	<u>\$ 206,067</u>
 <u>Liabilities and Fund Balance</u>		
Liabilities		
Accounts payable	\$ 6,436	\$ 4,438
Due to other funds	3,175	1,418
Deferred revenue	44,486	78,789
Total Liabilities	<u>54,097</u>	<u>84,645</u>
 Fund Balance	 <u>145,231</u>	 <u>121,422</u>
Total Liabilities and Fund Balance	<u>\$ 199,328</u>	<u>\$ 206,067</u>

See independent auditor's report.

City of Frankenmuth  
James E. Wickson Memorial Library Fund  
Statement of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual  
For the Year Ended June 30, 2006  
(With Comparative Actual Amounts for the Year Ended June 30, 2005)

	2006			2005
	Budget	Actual	Over (Under) Budget	Actual
Revenues				
State aid, City	\$ 4,204	\$ 3,184	\$ (1,020)	\$ 4,017
State aid, Township	1,780	1,791	11	1,982
Total State	<u>5,984</u>	<u>4,975</u>	<u>(1,009)</u>	<u>5,999</u>
Other governmental units				
Frankenmuth Twp	9,000	10,000	1,000	10,000
Blumfield Twp	3,100	3,100	-	-
Total governmental units	<u>12,100</u>	<u>13,100</u>	<u>1,000</u>	<u>10,000</u>
Fines				
Library books	4,000	3,958	(42)	3,639
City-Penal	18,000	20,658	2,658	19,337
Township-penal	7,800	8,718	918	8,287
Total Fines	<u>29,800</u>	<u>33,334</u>	<u>3,534</u>	<u>31,263</u>
Other Revenues				
Interest	800	6,746	5,946	2,678
Donations and contributions	13,500	60,860	47,360	21,168
VHS rental	2,700	2,987	287	2,963
Miscellaneous	4,900	5,808	908	5,331
Total other revenues	<u>21,900</u>	<u>76,401</u>	<u>54,501</u>	<u>32,140</u>
Total Revenues	<u>\$ 69,784</u>	<u>\$ 127,810</u>	<u>\$ 58,026</u>	<u>\$ 79,402</u>

See independent auditor's report

City of Frankenmuth  
James E. Wickson Memorial Library Fund  
Statement of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual (continued)  
For the Year Ended June 30, 2006  
(With Comparative Actual Amounts for the Year Ended June 30, 2005)

	2006			2005
	Budget	Actual	Over (Under) Budget	Actual
Expenditures				
Cultural				
Salaries	\$ 156,000	\$ 145,232	\$ (10,768)	\$ 142,250
Fringe benefits	32,530	16,936	(15,594)	23,459
Office supplies and postage	4,200	6,367	2,167	4,988
Operating supplies	5,500	2,767	(2,733)	1,960
Magazines and newspapers	6,000	5,711	(289)	5,828
Memberships and dues	3,800	2,945	(855)	3,418
Transportation and conferences	1,200	318	(882)	909
Insurance	4,300	2,627	(1,673)	2,926
Utilities	21,500	19,288	(2,212)	19,637
Maintenance and repairs	9,400	14,425	5,025	16,803
Equipment maintenance and support	9,100	40,472	31,372	12,168
Office equipment and furniture	9,000	1,726	(7,274)	8,570
Books	27,000	23,995	(3,005)	25,492
Audio-visual materials	3,000	2,733	(267)	2,014
Video cassettes	2,000	1,310	(690)	1,858
Miscellaneous	3,000	3,149	149	3,000
Total expenditures	<u>297,530</u>	<u>290,001</u>	<u>(7,529)</u>	<u>275,280</u>
Excess (Deficiency) of revenues over expenditures	<u>(227,746)</u>	<u>(162,191)</u>	<u>65,555</u>	<u>(195,878)</u>
Other financing sources				
Operating transfers in	<u>201,000</u>	<u>186,000</u>	<u>(15,000)</u>	<u>201,000</u>
Total other financing sources	<u>201,000</u>	<u>186,000</u>	<u>(15,000)</u>	<u>201,000</u>
Excess (Deficiency) of revenues and other financing sources over expenditures	<u>(26,746)</u>	<u>23,809</u>	<u>50,555</u>	<u>5,122</u>
Fund balance, beginning	<u>121,422</u>	<u>121,422</u>	<u>-</u>	<u>116,300</u>
Fund balance, ending	<u>\$ 94,676</u>	<u>\$ 145,231</u>	<u>\$ 50,555</u>	<u>\$ 121,422</u>
See independent auditor's report.				

City of Frankenmuth  
Building Department Fund  
Balance Sheet  
June 30, 2006 and 2005

<u>Assets</u>	<u>2006</u>	<u>2005</u>
Cash	\$ 99,775	\$ 96,502
Accounts Receivable	32	1,249
Accrued interest receivable	106	98
Due from other governmental units	-	102
Due from other funds	554	1,609
Prepaid expenditures	3,833	3,310
Total Assets	<u>\$ 104,300</u>	<u>\$ 102,870</u>
 <u>Liabilities and Fund Balance</u>		
Liabilities		
Accounts Payable	\$ 15,328	\$ -
Due to other funds	27,564	560
Total Liabilities	<u>42,892</u>	<u>560</u>
 Fund balance	 61,408	 102,310
Total Liabilities and Fund Balance	<u>\$ 104,300</u>	<u>\$ 102,870</u>

See independent auditor's report

City of Frankenmuth  
Building Department Fund  
Statement of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual  
For the Year Ended June 30, 2006  
(With Comparative Actual Amounts for the Year Ended June 30, 2005)

	2006			2005
	Budget	Actual	Over (Under) Budget	Actual
<b>Revenues</b>				
Building permits and plan reviews	\$ 63,000	\$ 44,461	\$ (18,539)	\$ 80,678
Plumbing permits and plan reviews	9,500	11,756	2,256	14,940
Electrical permits and plan reviews	18,500	17,531	(969)	24,796
Mechanical permits and plan reviews	12,000	12,702	702	18,758
Interest	125	445	320	302
Contributions	-	-	-	7,728
Miscellaneous	-	162	162	66
Total Revenues	<u>103,125</u>	<u>87,057</u>	<u>(16,068)</u>	<u>147,268</u>
<b>Expenditures</b>				
Administration	20,100	23,327	3,227	14,343
Building Inspection	35,000	38,218	3,218	37,270
Plumbing/Mechanical Inspections	8,500	12,280	3,780	3,335
Electrical Inspections	9,500	12,209	2,709	25,370
Total Expenditures	<u>73,100</u>	<u>86,034</u>	<u>12,934</u>	<u>80,318</u>
Excess (Deficiency) of revenues over expenditures	<u>30,025</u>	<u>1,023</u>	<u>(29,002)</u>	<u>66,950</u>
Other financing sources (uses)				
Operating transfers out	-	(41,925)	(41,925)	-
Total other financing sources	<u>-</u>	<u>(41,925)</u>	<u>(41,925)</u>	<u>-</u>
Excess (Deficiency) of revenues and other financing sources over expenditures	<u>30,025</u>	<u>(40,902)</u>	<u>(70,927)</u>	<u>66,950</u>
Fund Balance, Beginning	102,310	102,310	-	35,360
Fund Balance, Ending	<u>\$ 132,335</u>	<u>\$ 61,408</u>	<u>\$ (70,927)</u>	<u>\$ 102,310</u>

See independent auditor's report.

CITY OF FRANKENMUTH  
DEBT SERVICE FUNDS

1986 G.O. Summergreen/Churchgrove

1988 G.O. Homestead Village

1992 Woodland Acres

1997 S.A. DDA

1997 G.O. DDA

1997 S.A. DDA

1999 W. Tuscola G.O.

1999 W. Tuscola S.A.

1999 DDA S.A.

2000 DDA S.A.

1999 MTF

2001 Georgetown G.O.



City of Frankenmuth  
Debt Service Funds  
Combining Balance Sheet  
June 30, 2006  
(With Comparative Totals for the Year Ended June 30, 2005)

	1986 Summergreen Churchgrove G.O. Bonds	1988 Homestead Village G.O. Bonds	1992 Woodland Acres Bond	Totals	
				2006	2005
<u>Assets</u>					
Cash	\$ 22,461	\$ -	\$ -	\$ 22,461	\$ 20,614
Investments	-	49,703	-	49,703	48,153
Special assessment receivable	3,675	-	16,101	19,776	24,219
Due from other funds	895	-	17,441	18,336	13,795
Total Assets	<u>\$ 27,031</u>	<u>\$ 49,703</u>	<u>\$ 33,542</u>	<u>\$ 110,276</u>	<u>\$ 106,781</u>
<u>Liabilities and Fund Balances</u>					
Due to other funds	\$ -	\$ -	\$ 896	\$ 896	\$ 1,444
Deferred special assessments	785	-	14,551	15,336	19,776
Total Liabilities	<u>785</u>	<u>-</u>	<u>15,447</u>	<u>16,232</u>	<u>21,220</u>
Reserved fund balances	26,246	49,703	18,095	94,044	85,561
Total Liabilities and Fund Balances	<u>\$ 27,031</u>	<u>\$ 49,703</u>	<u>\$ 33,542</u>	<u>\$ 110,276</u>	<u>\$ 106,781</u>

See independent auditor's report

City of Frankenmuth  
Debt Service Funds

See independent auditor's report

**CITY OF FRANKENMUTH  
CAPITAL PROJECTS FUNDS**

**DDA Project**

**Kingsbrook/E. Tuscola**

**Block Road Project**

City of Frankenmuth  
Capital Projects Fund  
Balance Sheet  
June 30, 2006  
(With Comparative Totals as of June 30, 2005)

	DDA Project	Kingsbrook/ E. Tuscola	Block Road Project	Totals	
				2006	2005
<u>Assets</u>					
Cash	\$ -	\$ -	\$ -	\$ -	\$ 324,488
Accounts Receivable	-	-	-	-	1,200
Accrued Interest Receivable	-	-	-	-	357
Due from other funds	2,697	-	-	2,697	42,203
Due from other governmental units	24,065	-	-	24,065	-
Total Assets	<u>\$ 26,762</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,762</u>	<u>\$ 368,248</u>
<u>Liabilities and Fund Balance</u>					
Liabilities					
Accounts payable	\$ 2,700	\$ 2,700	\$ -	\$ 2,700	\$ 16,049
Due to other funds	24,062	24,062	-	24,062	1,200
Total Liabilities	<u>26,762</u>	<u>26,762</u>	<u>-</u>	<u>26,762</u>	<u>17,249</u>
Fund balance	-	-	-	-	350,999
Total Liabilities and Fund Balances	<u>\$ 26,762</u>	<u>\$ 26,762</u>	<u>\$ -</u>	<u>\$ 26,762</u>	<u>\$ 368,248</u>

See independent auditor's report.

City of Frankenmuth  
Capital Projects Funds  
Statement of Revenue, Expenditures and Changes in Fund Balance  
For the Year Ended June 30, 2006  
(With Comparative Totals for the Year Ended June 30, 2005)

	DDA Project	Kingsbrook/ E. Tuscola	Block Road Project	Totals 2006	2005
Revenue					
Federal Revenue	\$ 24,065	\$ -	\$ -	\$ 24,065	\$ 90,886
Contributions	-	4,927	-	4,927	142,778
Interest	-	362	-	362	1,444
Special assessments	-	-	-	-	129,878
Total Revenue	<u>24,065</u>	<u>5,289</u>	<u>-</u>	<u>29,354</u>	<u>364,986</u>
Expenditures					
Capital Project	<u>59,177</u>	<u>-</u>	<u>-</u>	<u>59,177</u>	<u>498,232</u>
Total Expenditures	<u>59,177</u>	<u>-</u>	<u>-</u>	<u>59,177</u>	<u>498,232</u>
Excess (Deficiency) of Revenues over Expenses	<u>(35,112)</u>	<u>5,289</u>	<u>-</u>	<u>(29,823)</u>	<u>(133,246)</u>
Other Financing Sources (uses)					
Transfers in	3,992	-	2,265	6,257	15,686
Transfers (out)	-	(325,168)	(2,265)	(327,433)	(309,327)
Total Other Financing Sources (use)	<u>3,992</u>	<u>(325,168)</u>	<u>-</u>	<u>(321,176)</u>	<u>(293,641)</u>
Excess (Deficiency) of Revenues Over Other Financing Sources (Uses)	<u>(31,120)</u>	<u>(319,879)</u>	<u>-</u>	<u>(350,999)</u>	<u>(426,887)</u>
Fund Balance, Beginning	<u>31,120</u>	<u>319,879</u>	<u>-</u>	<u>350,999</u>	<u>777,886</u>
Fund Balance, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 350,999</u>

See independent auditor's report.

**CITY OF FRANKENMUTH  
WASTE WATER ENTERPRISE FUND**

City of Frankenmuth  
Waste Water Treatment Enterprise Fund  
Statements of Net Assets  
June 30, 2006 and 2005

<u>Assets</u>	<u>2006</u>	<u>2005</u>
Current Assets		
Cash	\$ 117,877	\$ 291,612
Accounts receivable	162,695	187,488
Due from other funds	4,905	2,515
Special assessments receivable	49,553	53,263
Inventory		
Supplies	2,806	3,330
Chemicals	3,129	2,353
Prepaid Expenses	18,533	13,883
Total Current Assets	<u>359,498</u>	<u>554,444</u>
Restricted Assets		
Accounts Receivable	7,874,240	8,582,503
Total Restricted Assets	<u>7,874,240</u>	<u>8,582,503</u>
Other Assets		
Special assessments receivable net of current portion	<u>522,655</u>	<u>586,940</u>
Property, Plant, & Equipment		
Land	6,090	6,090
Buildings and Equipment	18,105,925	17,805,994
Machinery and Equipment	1,012,668	982,920
Collection Systems	2,886,832	2,886,832
Furniture and fixtures	30,255	30,255
Less accumulated depreciation	<u>(11,145,056)</u>	<u>(10,286,863)</u>
Net Property, Plant and Equipment	<u>10,896,714</u>	<u>11,425,228</u>
Total Assets	<u>\$ 19,653,107</u>	<u>\$ 21,149,115</u>

See independent auditor's report.

City of Frankenmuth  
Waste Water Treatment Enterprise Fund  
Statements of Net Assets (continued)  
June 30, 2006 and 2005

<u>Liabilities and Fund Equity</u>	<u>2006</u>	<u>2005</u>
Current Liabilities		
Accounts Payable	\$ 90,116	\$ 14,616
Accrued Payroll	6,194	6,163
Due to other funds	23,298	23,460
Deferred Special		
Assessment Revenue	523,213	589,929
Current Portion of Long-Term Debt	716,300	707,350
Total Current Liabilities	<u>1,359,121</u>	<u>1,341,518</u>
Long-Term Liabilities		
Bonds Payable (net of current		
portion and unamortized discount)	<u>6,929,421</u>	<u>7,642,334</u>
Total Liabilities	<u>8,288,542</u>	<u>8,983,852</u>
Net Assets		
Investment in capital assets-		
Net of related debt	3,250,993	3,075,544
Unrestricted	<u>8,113,572</u>	<u>9,089,719</u>
Total Net Assets	<u>11,364,565</u>	<u>12,165,263</u>
Total Liabilities and		
Net Assets	<u>\$ 19,653,107</u>	<u>\$ 21,149,115</u>

See independent auditor's report.



City of Frankenmuth  
Waste Water Treatment Enterprise Fund  
Statement of Revenues, Expenses and Changes in Net Assets  
Budget and Actual  
For the Year Ended June 30, 2006  
(With Comparative Actual Amounts for the Year Ended June 30, 2005)

	2006			2005
	Budget	Actual	Over (Under) Budget	Actual
Operating Revenues				
Sewage Disposal Charges				
Industrial	\$ 15,000	\$ 10,918	\$ (4,082)	\$ 15,552
Residential	381,000	294,860	(86,140)	407,657
Commercial	405,000	307,895	(97,105)	383,883
Major commercial	208,000	134,628	(73,372)	179,532
Municipality	7,600	4,834	(2,766)	6,108
Penalties on late payments	8,500	7,344	(1,156)	8,112
Total Operating Revenues	<u>1,025,100</u>	<u>760,479</u>	<u>(264,621)</u>	<u>1,000,844</u>
Operating Expenses				
Transmission Maintenance	79,800	119,597	39,797	113,687
Sewage Purification	1,634,300	1,445,014	(189,286)	1,409,736
Administration	229,500	215,916	(13,584)	214,760
Customer Services	1,000	5,022	4,022	1,162
Total Operating Expenses	<u>1,944,600</u>	<u>1,785,549</u>	<u>(159,051)</u>	<u>1,739,345</u>
Operating Income (Loss)	<u>(919,500)</u>	<u>(1,025,070)</u>	<u>(105,570)</u>	<u>(738,501)</u>
Non-Operating Revenues (Expense)				
Interest	35,000	41,366	6,366	38,741
Special Assessments	30,000	87,105	57,105	59,719
Miscellaneous	2,500	2,752	252	2,846
Total Non-Operating Revenues (Expenses)	<u>67,500</u>	<u>131,223</u>	<u>63,723</u>	<u>101,306</u>
Income before other revenues	(852,000)	(893,847)	(41,847)	(637,195)
Other Revenue				
Capital Contributions	-	93,149	93,149	215,639
Total Other Revenue	<u>-</u>	<u>93,149</u>	<u>93,149</u>	<u>215,639</u>
Increase (decrease) in net assets	<u>\$ (852,000)</u>	<u>\$ (800,698)</u>	<u>\$ 51,302</u>	<u>\$ (421,556)</u>

See independent auditor's report.

City of Frankenmuth  
Waste Water Treatment Enterprise Fund  
Statement of Operating Expenses  
Budget and Actual

For the Year Ended June 30, 2006

(With Comparative Actual Amounts for the Year Ended June 30, 2005)

	2006		Over (Under)	2005
	Budget	Actual		Actual
Transmission Maintenance				
Wages and Salaries	\$ 10,200	\$ 51,743	\$ 41,543	\$ 44,357
Repairs and Maintenance	4,100	5,453	1,353	11,943
Equipment Rental	18,000	19,800	1,800	18,801
Contracted Services	47,500	42,601	(4,899)	38,586
Total Transmission Maintenance	<u>79,800</u>	<u>119,597</u>	<u>39,797</u>	<u>113,687</u>
Sewage Purification				
Wages and Salaries	203,000	217,615	14,615	204,071
Operating Supplies	7,000	7,235	235	5,381
Chemicals	44,000	46,954	2,954	42,642
Tools and Supplies	17,500	12,242	(5,258)	13,307
Utilities	123,000	129,688	6,688	126,458
Building and Grounds Maintenance	259,300	34,133	(225,167)	34,744
Equipment Maintenance	26,000	33,040	7,040	30,938
Equipment Rental	4,500	691	(3,809)	6,522
Contracted Services	105,000	105,223	223	98,867
Equipment	3,000	-	(3,000)	-
Depreciation	842,000	858,193	16,193	846,806
Total Sewage Purification	<u>1,634,300</u>	<u>1,445,014</u>	<u>(189,286)</u>	<u>1,409,736</u>
Administration				
Administration	42,000	42,000	-	40,000
Wages and Salaries	8,500	9,572	1,072	9,872
Fringe Benefits	109,000	112,065	3,065	102,784
Office Supplies	3,000	3,503	503	2,884
Safety Equipment	2,500	2,063	(437)	2,250
Professional Services	4,000	130	(3,870)	2,880
Computer Services	4,000	70	(3,930)	1,905
Equipment Maint. & Support	-	297	297	1,882
Association Dues	300	317	17	374
Telephone, Pagers	11,200	4,307	(6,893)	6,163
Transportation and Conference	8,500	11,869	3,369	11,405
Insurance	30,000	23,693	(6,307)	25,665
Contracted Services	2,500	-	(2,500)	1,416
Computer Administration	2,000	-	(2,000)	2,000
Regulating Fees	2,000	6,030	4,030	3,280
Total Administration	<u>229,500</u>	<u>215,916</u>	<u>(13,584)</u>	<u>214,760</u>
Customer Service				
Wages and Salaries	1,000	2,031	1,031	655
Supplies	-	1,708	1,708	181
Equipment Rental	-	1,283	1,283	326
Total Customer Service	<u>1,000</u>	<u>5,022</u>	<u>4,022</u>	<u>1,162</u>
Total Operating Expenses	<u>\$ 1,944,600</u>	<u>\$ 1,785,549</u>	<u>\$ (159,051)</u>	<u>\$ 1,739,345</u>

See independent auditor's report.

City of Frankenmuth  
Waste Water Treatment Enterprise Fund  
Comparative Statements of Cash Flows  
For the Years Ended June 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Cash Flows From Operating Activities		
Increase (decrease) in Net Assets	\$ (800,698)	\$ (421,556)
Adjustments to reconcile net income to net cash flows from operating activities:		
Depreciation	858,193	846,806
Decrease (increase) in		
Accounts receivable	24,793	(35,898)
Special assessments	67,995	30,180
Due from other funds	(2,390)	-
Inventory	(252)	(12)
Prepaid expenses	(4,650)	2,855
Restricted accounts receivable	708,263	497,844
Increase (decrease) in		
Accounts payable	75,500	571
Accrued payroll	31	438
Due to other funds	(162)	(2,074)
Deferred special assessment revenue	(66,716)	(29,886)
Net Cash Provided by Operations	<u>859,907</u>	<u>889,268</u>
Cash Flows From Investing Activities		
(Increase) Decrease in Investments		
Acquisition of property, plant and equipment	<u>(329,679)</u>	<u>(239,992)</u>
Net Cash Provided (Used) by Investing Activities	<u>(329,679)</u>	<u>(239,992)</u>
Cash Flows From Financing Activities		
Payment of long-term debt	<u>(703,963)</u>	<u>(656,950)</u>
Net Cash Provided (Used) by Financing Activities	<u>(703,963)</u>	<u>(656,950)</u>
Net Increase (Decrease) in Cash	(173,735)	(7,674)
Cash and cash equivalents, Beginning	291,612	299,286
Cash and cash equivalents, Ending	<u>\$ 117,877</u>	<u>\$ 291,612</u>

See independent auditor's report.

**CITY OF FRANKENMUTH  
WATER ENTERPRISE FUND**

City of Frankenmuth  
Water Enterprise Fund  
Statements of Net Assets  
June 30, 2006 and 2005

<u>Assets</u>	<u>2006</u>	<u>2005</u>
Current Assets		
Cash	\$ 1,105,201	\$ 771,252
Accounts receivable	157,681	159,986
Special assessments receivable	17,092	6,650
Due from other funds	15,047	15,492
Inventory	40,201	40,000
Prepaid Expenses	11,490	9,135
Total Current Assets	<u>1,346,712</u>	<u>1,002,515</u>
Restricted Assets		
Accounts Receivable	<u>1,246,700</u>	<u>1,338,400</u>
Total Restricted Assets	<u>1,246,700</u>	<u>1,338,400</u>
Other Assets		
Special assessments receivable net of current portion	<u>86,546</u>	<u>80,957</u>
Property, Plant, & Equipment		
Land	16,873	16,873
Buildings	174,723	174,723
Water Towers	533,842	533,842
Machinery and Equipment	248,117	237,520
Meters and Boxes	327,033	326,016
Distribution System	6,080,757	5,555,815
Furniture and Fixtures	29,237	43,750
Less accumulated depreciation	<u>(3,527,747)</u>	<u>(3,300,109)</u>
Net Property, Plant and Equipment	<u>3,882,835</u>	<u>3,588,430</u>
Total Assets	<u>\$ 6,562,793</u>	<u>\$ 6,010,302</u>

See independent auditor's report.

City of Frankenmuth  
Water Enterprise Fund  
Statements of Net Assets (continued)  
June 30, 2006 and 2005

<u>Liabilities and Fund Equity</u>	<u>2006</u>	<u>2005</u>
Current Liabilities		
Accounts Payable	\$ 79,526	\$ 107,625
Accrued Payroll	468	229
Due to other funds	27,901	21,413
Deferred Special		
Assessment Revenue	88,917	78,791
Current Portion of Long-Term Debt	94,050	90,700
Total Current Liabilities	<u>290,862</u>	<u>298,758</u>
Long-Term Liabilities		
Bonds Payable (net of current portion)	<u>1,153,650</u>	<u>1,247,700</u>
Total Liabilities	<u>1,444,512</u>	<u>1,546,458</u>
Net Assets		
Investment in capital assets-		
Net of related debt	2,635,135	2,250,030
Unrestricted	2,483,146	2,213,814
Total Net Assets	<u>5,118,281</u>	<u>4,463,844</u>
Total Liabilities and Net Assets	<u>\$ 6,562,793</u>	<u>\$ 6,010,302</u>

See independent auditor's report.

City of Frankenmuth  
Water Enterprise Fund  
Statements of Revenues, Expenses and Changes in Net Assets  
Budget and Actual  
For the Year Ended June 30, 2006  
(With Comparative Actual Amounts for the Year Ended June 30, 2005)

	2006			2005
	Budget	Actual	Over (Under) Budget	Actual
Operating Revenues				
Water Sales, City	\$ 1,170,000	\$ 1,187,522	\$ 17,522	\$ 1,420,581
Water Sales, Township	240,000	201,047	(38,953)	239,060
Penalties on Late Payments	8,000	7,856	(144)	10,301
Hydrant Rental	8,000	8,000	-	8,000
Federal grant	300,000	-	(300,000)	248,596
Other Revenue	2,500	18,311	15,811	10,966
Total Operating Revenues	<u>1,728,500</u>	<u>1,422,736</u>	<u>(305,764)</u>	<u>1,937,504</u>
Operating Expenses				
Distribution System				
Maintenance, Township	16,000	16,289	289	13,412
Distribution System				
Maintenance, City	522,000	112,565	(409,435)	117,246
Purification	1,389,600	1,054,481	(335,119)	1,398,467
Administration	117,050	127,694	10,644	131,926
Customer Services	68,100	43,428	(24,672)	37,472
Total Operating Expenses	<u>2,112,750</u>	<u>1,354,457</u>	<u>(758,293)</u>	<u>1,698,523</u>
Operating Income (Loss)	<u>(384,250)</u>	<u>68,279</u>	<u>452,529</u>	<u>238,981</u>
Non-Operating Revenues (Expense)				
Interest	6,000	28,198	22,198	13,803
Special Assessments	25,000	47,699	22,699	58,047
Total Non-Operating Revenues (Expenses)	<u>31,000</u>	<u>75,897</u>	<u>44,897</u>	<u>71,850</u>
Income before other revenues	<u>(353,250)</u>	<u>144,176</u>	<u>497,426</u>	<u>310,831</u>
Other Revenues				
Capital Contributions	-	510,261	510,261	97,217
Total Other Revenues	<u>-</u>	<u>510,261</u>	<u>510,261</u>	<u>97,217</u>
Net Income (Loss)	<u>\$ (353,250)</u>	<u>\$ 654,437</u>	<u>\$ 1,007,687</u>	<u>\$ 408,048</u>

See independent auditor's report.

City of Frankenmuth  
Water Enterprise Fund  
Statement of Operating Expenses  
Budget and Actual  
For the Year Ended June 30, 2006  
(With Comparative Actual Amounts for the Year Ended June 30, 2005)

	2006			2005
	Budget	Actual	Over (Under) Budget	Actual
Operating Expenses				
Distribution System				
Maintenance, Township				
Wages and Salaries	\$ 11,000	\$ 9,800	\$ (1,200)	\$ 8,905
Other	4,000	1,233	(2,767)	332
Equipment Rental	1,000	5,256	4,256	4,175
Total Distribution System				
Maintenance, Township	16,000	16,289	289	13,412
Distribution System				
Maintenance, City				
Wages and Salaries	65,000	66,770	1,770	74,859
Repairs and Maintenance	10,000	14,883	4,883	8,688
Equipment Rental	16,000	16,992	992	17,861
Contracted Services	431,000	13,920	(417,080)	15,838
Total Distribution System				
Maintenance, City	522,000	112,565	(409,435)	117,246
Purification				
Wages and Salaries	54,000	63,691	9,691	56,794
Operating Supplies	500	1,020	520	819
Tools and Supplies	3,000	949	(2,051)	1,854
Utilities	1,600	1,332	(268)	1,414
Water Purchase	1,100,000	737,670	(362,330)	1,110,345
Building and Grounds				
Maintenance	5,500	3,642	(1,858)	3,643
Equipment Maintenance	3,000	1,194	(1,806)	1,582
Contracted Services	2,000	521	(1,479)	283
Equipment Rental	-	4	4	72
Depreciation	220,000	244,458	24,458	221,661
Total Purification	1,389,600	1,054,481	(335,119)	1,398,467

See independent auditor's report.



City of Frankenmuth  
Water Enterprise Fund  
Statement of Operating Expenses (continued)  
Budget and Actual  
For the Year Ended June 30, 2006  
(With Comparative Actual Amounts for the Year Ended June 30, 2005)

	2006			2005
	Budget	Actual	Over (Under) Budget	Actual
Administration				
Administration, general	\$ 26,000	\$ 26,000	\$ -	\$ 26,000
Fringe Benefits	34,000	35,924	1,924	32,691
Office Supplies	1,500	1,173	(327)	979
Postage	2,000	1,987	(13)	1,815
Safety Equipment	750	666	(84)	691
Computer Services	2,900	1,320	(1,580)	-
Association Dues	100	652	552	366
Telephone, Pagers, Cell	2,900	2,660	(240)	2,970
Professional Services	15,000	132	(14,868)	32,169
Regulatory Fees	900	982	82	883
Transportation and Conference	12,000	18,663	6,663	14,093
Insurance	17,000	13,769	(3,231)	14,651
Computer Administration	2,000	-	(2,000)	2,000
Contracted Services	-	23,766	23,766	2,618
Total Administration	<u>117,050</u>	<u>127,694</u>	<u>10,644</u>	<u>131,926</u>
Customer Service				
Wages and Salaries	33,000	28,811	(4,189)	27,651
Supplies	3,100	2,509	(591)	415
Equipment Rental	13,000	7,985	(5,015)	8,918
Contracted Services	19,000	4,123	(14,877)	488
Total Customer Service	<u>68,100</u>	<u>43,428</u>	<u>(24,672)</u>	<u>37,472</u>
Total Operating Expenses	<u>\$ 2,112,750</u>	<u>\$ 1,354,457</u>	<u>\$ (758,293)</u>	<u>\$ 1,698,523</u>

See independent auditor's report

City of Frankenmuth  
Water Enterprise Fund  
Comparative Statements of Cash Flows  
For the Years Ended June 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Cash Flows From Operating Activities		
Increase (decrease) in Net Assets	\$ 654,437	\$ 408,048
Adjustments to reconcile net income to net cash flows from operating activities:		
Depreciation	244,458	221,661
Decrease (increase) in		
Due From Other Funds	445	386
Accounts Receivable	2,305	10,301
Due from other governmental units	-	228
Special Assessments	(16,031)	(2,538)
Inventory	(201)	14,913
Prepaid Expenses	(2,355)	717
Restricted Accounts Receivable	91,700	88,000
Increase (decrease) in		
Accounts Payable	(28,099)	(3,428)
Accrued Payroll	239	193
Due to Other Funds	6,488	5,921
Deferred Special Assessment Revenue	10,126	744
Net Cash Provided by Operations	<u>963,512</u>	<u>745,146</u>
Cash Flows From Investing Activities		
(Increase) Decrease in Investments		
Acquisition of Property, Plant and Equipment	<u>(538,863)</u>	<u>(480,416)</u>
Net Cash Provided (Used) by Investing Activities	<u>(538,863)</u>	<u>(480,416)</u>
Cash Flows From Financing Activities		
Payment of Long-Term Debt	<u>(90,700)</u>	<u>(88,000)</u>
Net Cash Provided (Used) by Financing Activities	<u>(90,700)</u>	<u>(88,000)</u>
Net Increase (Decrease) in Cash	333,949	176,730
Cash and cash equivalents, Beginning	771,252	594,522
Cash and cash equivalents, Ending	<u>\$ 1,105,201</u>	<u>\$ 771,252</u>

See independent auditor's report.

City of Frankenmuth  
Water Enterprise Fund  
Operating Statistics  
For the Year Ended June 30, 2006  
With Comparative Totals For the Year Ended June 30, 2005

	<u>Residential</u>	<u>Commercial Industrial</u>	<u>Municipal</u>	<u>Totals 2006</u>	<u>2005</u>
Average Number of Meters in Service	2,205	466	22	2,693	2,731
Water Utility					
Gallons Sold	132,701,000	193,038,000	9,183,000	334,922,000	316,070,000
Revenue From Sales	\$ 721,574	\$ 633,250	\$ 33,746	\$ 1,388,570	\$ 1,659,641

See independent auditor's report.

CITY OF FRANKENMUTH  
EQUIPMENT INTERNAL SERVICE FUND

City of Frankenmuth  
Equipment Internal Service Fund  
Statements of Net Assets  
June 30, 2006 and 2005

<u>Assets</u>	<u>2006</u>	<u>2005</u>
Current Assets		
Cash	\$ 223,207	\$ 197,946
Due from other funds	114,164	102,218
Inventory, supplies	1,685	1,214
Prepaid Expenses	11,969	10,756
Total Current Assets	<u>351,025</u>	<u>312,134</u>
Property and Equipment	1,756,664	1,672,728
Less: Accumulated depreciation	<u>(1,107,803)</u>	<u>(1,000,852)</u>
Net Property and Equipment	<u>648,861</u>	<u>671,876</u>
Total Assets	<u>\$ 999,886</u>	<u>\$ 984,010</u>
 <u>Liabilities and Net Assets</u>		
Current Liabilities		
Accounts Payable	\$ 9,472	\$ 8,863
Due to other funds	1,128	1,359
Total Current Liabilities	<u>10,600</u>	<u>10,222</u>
Net Assets		
Investment in capital assets-		
Net of related debt	648,861	671,876
Unrestricted	340,425	301,912
Total Net Assets	<u>989,286</u>	<u>973,788</u>
Total Liabilities and Net Assets	<u>\$ 999,886</u>	<u>\$ 984,010</u>

See independent auditor's report.

City of Frankenmuth  
Equipment Internal Service Fund  
Statement of Revenues, Expenses, and Changes in Net Assets  
Budget and Actual  
For the Year Ended June 30, 2006  
(With Comparative Actual Amounts for the Year Ended June 30, 2005)

	2006		Over (Under) Budget	2005
	Budget	Actual		Actual
Operating Revenues				
Billing to Departments	\$ 354,750	\$ 379,215	\$ 24,465	\$ 355,722
Total Operating Revenues	<u>354,750</u>	<u>379,215</u>	<u>24,465</u>	<u>355,722</u>
Operating Expenses				
Motor Vehicle Maintenance				
Salaries and Wages	62,000	76,867	14,867	65,207
Benefits	24,000	20,936	(3,064)	19,511
Tools and Supplies	7,500	6,731	(769)	7,024
Gasoline and Oil	32,000	46,303	14,303	41,299
Repairs and Maintenance	57,000	76,305	19,305	76,100
Transportation	-	129	129	99
Depreciation	144,550	118,637	(25,913)	116,784
Total Motor Vehicle Maintenance Expense	<u>327,050</u>	<u>345,908</u>	<u>18,858</u>	<u>326,024</u>
Administration Expense				
Administration, general	18,000	18,000	-	18,000
Fleet Insurance	18,500	19,738	1,238	18,422
Total Administration Expense	<u>36,500</u>	<u>37,738</u>	<u>1,238</u>	<u>36,422</u>
Total Operating Expense	<u>363,550</u>	<u>383,646</u>	<u>20,096</u>	<u>362,446</u>
Operating Income	<u>(8,800)</u>	<u>(4,431)</u>	<u>4,369</u>	<u>(6,724)</u>
Non-Operating Revenues				
Interest	2,500	4,067	1,567	4,114
Sale of Fixed Assets	1,000	10,605	9,605	6,078
DPW Fringe Recovery	5,300	5,257	(43)	5,617
Total Non-Operating Revenue	<u>8,800</u>	<u>19,929</u>	<u>11,129</u>	<u>15,809</u>
Increase (decrease) in Net Assets	-	15,498	15,498	9,085
Net Assets, Beginning	973,788	973,788	-	964,703
Net Assets, Ending	<u>\$ 973,788</u>	<u>\$ 989,286</u>	<u>\$ 15,498</u>	<u>\$ 973,788</u>

See independent auditor's report.

City of Frankenmuth  
Equipment Internal Service Fund  
Comparative Statement of Cash Flows  
For the Years Ended June 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Cash Flows From Operating Activities		
Increase (decrease) in Net Assets	\$ 15,498	\$ 9,085
Adjustments to reconcile net income to net cash flows from operating activities:		
Depreciation	118,637	116,784
Gain on sale of fixed assets	(10,605)	(6,064)
Decrease (increase) in		
Due from other funds	(11,946)	(13,657)
Inventory, supplies	(471)	(45)
Prepaid expenses	(1,213)	(1,124)
Increase (decrease) in		
Accounts payable	609	2,791
Due to other funds	(232)	-
Net Cash Provided (Used) by Operating Activities	<u>110,277</u>	<u>107,770</u>
Cash Flows From Investing Activities		
Sale of equipment	10,605	6,067
Acquisition of equipment	<u>(95,621)</u>	<u>(195,989)</u>
Net Cash Provided (Used) by Investing Activities	<u>(85,016)</u>	<u>(189,922)</u>
Net Increase (Decrease) in Cash	25,261	(82,152)
Cash and cash equivalents, Beginning	197,946	280,098
Cash and cash equivalents, Ending	<u>\$ 223,207</u>	<u>\$ 197,946</u>

See independent auditor's report.

City of Frankenmuth  
Schedule of Indebtedness  
June 30, 2006

**Governmental Activities**  
**General Obligation Bonds**

	Date of Issue	Amount of Issue	Interest Rate	Annual Principal May 1	Semiannual Interest Payment		Total Fiscal Year Requirement
					November 1	May 1	
1997 DDA G.O.	8/1/1997	2,600,000					
2006-07			4.85	\$ 135,000	\$ 3,274	\$ 3,274	\$ 141,548
Paid from DDA Funds Phase I				\$ 135,000	\$ 3,274	\$ 3,274	\$ 141,548

Partially refunded in the 2006 fiscal year.

	Date of Issue	Amount of Issue	Interest Rate	Annual Principal October 1	Semiannual Interest Payment		Total Fiscal Year Requirement
					October 1	April 1	
1997 GF Streetscape	8/1/1997	1,200,000					
2006-07			4.70	\$ 55,000	\$ 21,397	\$ 20,105	\$ 96,502
2007-08			4.80	60,000	20,105	18,665	98,770
2008-09			4.90	65,000	18,665	17,072	100,737
2009-10			5.00	65,000	17,073	15,447	97,520
2010-11			5.10	70,000	15,448	13,663	99,111
2011-12			5.15	75,000	13,662	11,731	100,393
2012-13			5.20	80,000	11,731	9,651	101,382
2013-14			5.25	85,000	9,651	7,420	102,071
2014-15			5.30	90,000	7,420	5,035	102,455
2015-16			5.30	95,000	5,035	2,517	102,552
2016-17			5.30	95,000	2,518	-	97,518
Paid from General Fund Phase I				\$ 835,000	\$ 142,705	\$ 121,306	\$ 1,099,011

	Date of Issue	Amount of Issue	Interest Rate	Annual Principal September 1	Semiannual Interest Payment		Total Fiscal Year Requirement
					September 1	March 1	
1999 G.O. Major Street	8/9/1999	332,000	5.12				
2006-07				\$ 25,000	\$ 4,864	\$ 4,264	\$ 34,128
2007-08				25,000	4,263	3,657	32,920
2008-09				25,000	3,658	3,045	31,703
2009-10				20,000	3,045	2,545	25,590
2010-11				20,000	2,545	2,040	24,585
2011-12				20,000	2,040	1,530	23,570
2012-13				20,000	1,530	1,020	22,550
2013-14				20,000	1,020	510	21,530
2014-15				20,000	510	-	20,510
				\$ 195,000	\$ 23,475	\$ 18,611	\$ 237,086

	Date of Issue	Amount of Issue	Interest Rate	Annual Principal March 1	Semiannual Interest Payment		Total Fiscal Year Requirement
					September 1	March 1	
1999 Michigan Transportation Fund	10/27/1999	380,000	5.27				
2006-07				\$ 25,000	\$ 5,537	\$ 5,538	\$ 36,075
2007-08				30,000	4,913	4,912	39,825
2008-09				30,000	4,162	4,163	38,325
2009-10				30,000	3,413	3,412	36,825
2010-11				35,000	2,647	2,648	40,295
2011-12				35,000	1,738	1,737	38,475
2012-13				30,000	810	810	31,620
				\$ 215,000	\$ 23,220	\$ 23,220	\$ 261,440

See independent auditor's report.



City of Frankenmuth  
Schedule of Indebtedness (continued)  
June 30, 2006

	Date of Issue	Amount of Issue	Interest Rate	Annual Principal May 1	Semiannual Interest Payment November 1	May 1	Total Fiscal Year Requirement
2000 G.O. DDA North Main	5/1/2000	940,000	5.60				
2006-07				\$ 40,000	\$ 4,770	\$ 4,770	\$ 49,540
2007-08				40,000	3,710	3,710	47,420
2008-09				50,000	2,650	2,650	55,300
2009-10				50,000	1,325	1,325	52,650
Paid from DDA Fund				<u>\$ 180,000</u>	<u>\$ 12,455</u>	<u>\$ 12,455</u>	<u>\$ 204,910</u>

Partially refunded in the 2006 fiscal year.

	Date of Issue	Amount of Issue	Interest Rate	Annual Principal May 1	Semiannual Interest Payment November 1	May 1	Total Fiscal Year Requirement
2001 DDA Phase 3	6/19/2001	1,300,000	4.50				
2006-07				\$ 45,000	\$ 5,896	\$ 5,896	\$ 56,792
2007-08				50,000	4,895	4,895	59,790
2008-09				50,000	3,783	3,783	57,566
2009-10				55,000	2,670	2,670	60,340
2010-11				65,000	1,446	1,446	67,892
Paid from DDA Fund				<u>\$ 265,000</u>	<u>\$ 18,690</u>	<u>\$ 18,690</u>	<u>\$ 302,380</u>

Partially refunded in the 2006 fiscal year.

	Date of Issue	Amount of Issue	Interest Rate	Semiannual Principal September 1 March 1	Semiannual Interest Payment September 1 March 1		Total Fiscal Year Requirement
EDC Technology Park Land	9/1/2002	164,900	4.60				
2006-07				\$ 24,000	\$ 2,046	\$ 1,774	\$ 27,820
2007-08				25,116	1,495	1,209	27,820
2008-09				26,285	917	618	27,820
2009-10				13,597	313	-	13,910
				<u>\$ 88,998</u>	<u>\$ 4,771</u>	<u>\$ 3,601</u>	<u>\$ 97,370</u>

	Date of Issue	Amount of Issue	Interest Rate	Semiannual Principal September 1 April 18	Semiannual Interest Payment October 18	April 18	Total Fiscal Year Requirement
Harvey Kern Pavilion	10/18/2004	1,050,000	3.76				
2006-07				\$ 141,362	\$ 16,158	\$ 14,743	\$ 172,263
2007-08				146,721	13,464	12,078	172,263
2008-09				152,219	10,866	9,178	172,263
2009-10				158,472	7,559	6,232	172,263
2010-11				164,343	4,745	3,175	172,263
2011-12				84,521	1,611	-	86,132
				<u>\$ 847,638</u>	<u>\$ 54,403</u>	<u>\$ 45,406</u>	<u>\$ 947,447</u>

See independent auditors report.

City of Frankenmuth  
Schedule of Indebtedness (continued)  
June 30, 2006

2005 Downtown Development Refunding	Date of Issue	Amount of Issue	Interest Rate	Annual Principal May 1	Semiannual Interest Payment November 1	May 1	Total Fiscal Year Requirement
	8/11/2005	3,260,000	2.75- 4.125				
2006-07				\$ 20,000	\$ 67,406	\$ 67,406	\$ 154,812
2007-08				160,000	67,056	67,056	294,112
2008-09				165,000	64,256	64,256	293,512
2009-10				170,000	60,956	60,956	291,912
2010-11				220,000	57,769	57,769	335,538
2011-12				290,000	53,369	53,369	396,738
2012-13				310,000	47,569	47,569	405,138
2013-14				315,000	40,594	40,594	396,188
2014-15				325,000	33,506	33,506	392,012
2015-16				335,000	26,194	26,194	387,388
2016-17				340,000	19,913	19,913	379,826
2017-18				170,000	12,263	12,263	194,526
2018-19				170,000	8,863	8,863	187,726
2019-20				170,000	5,463	5,463	180,926
2020-21				100,000	2,063	2,063	104,126
				<u>\$ 3,260,000</u>	<u>\$ 567,240</u>	<u>\$ 567,240</u>	<u>\$ 4,394,480</u>
<b>Business-type Activities</b>							
<u>General Obligation Bonds</u>							
2001 Waste Treatment Enterprise Fund W. Tuscola/ Georgetown	Date of Issue	Amount of Issue	Interest Rate	Annual Principal October 1	Semiannual Interest Payment October 1	April 1	Total Fiscal Year Requirement
	6/19/2001	300,000	5.07				
2006-07				\$ 20,000	\$ 5,393	\$ 4,943	\$ 30,336
2007-08				20,000	4,944	4,494	29,438
2008-09				20,000	4,493	4,043	28,536
2009-10				20,000	4,042	3,594	27,636
2010-11				20,000	3,593	3,143	26,736
2011-12				25,000	3,144	2,581	30,725
2012-13				25,000	2,581	2,000	29,581
2013-14				25,000	2,000	1,375	28,375
2014-15				25,000	1,375	750	27,125
2015-16				30,000	750	-	30,750
				<u>\$ 230,000</u>	<u>\$ 32,315</u>	<u>\$ 26,923</u>	<u>\$ 289,238</u>
1997 Waste Treatment Enterprise Fund Plant Expansion	Date of Issue	Amount of Issue	Interest Rate	Annual Principal May 1	Semiannual Interest Payment November 1	May 1	Total Fiscal Year Requirement
	3/17/1997	685,000	5.00				
2006-07				\$ 100,000	\$ 2,500	\$ 2,500	\$ 105,000
				<u>\$ 100,000</u>	<u>\$ 2,500</u>	<u>\$ 2,500</u>	<u>\$ 105,000</u>

See independent auditor's report.

City of Frankenmuth  
Schedule of Indebtedness (continued)  
June 30, 2006

	Date of Issue	Amount of Issue	Interest Rate	Annual Principal May 1	Semiannual Interest Payment November 1	May 1	Total Fiscal Year Requirement
2004 Waste Treatment Plant Expansion,	2/18/2004	1,120,000					
2006-07			2.00	\$ 135,000	\$ 17,869	\$ 17,869	\$ 170,738
2007-08			2.25	135,000	16,519	16,519	168,038
2008-09			5.00	140,000	15,000	15,000	170,000
2009-10			5.00	145,000	11,500	11,500	168,000
2010-11			5.00	155,000	7,875	7,875	170,750
2011-12			5.00	160,000	4,000	4,000	168,000
				<u>\$ 870,000</u>	<u>\$ 72,763</u>	<u>\$ 72,763</u>	<u>\$ 1,015,526</u>
	Date of Issue	Amount of Issue	Interest Rate	Annual Principal January 1	Semiannual Interest Payment July 1	January 1	Total Fiscal Year Requirement
1997 Water Improvement	5/20/1997	940,000					
2006-07			5.25	\$ 45,000	\$ 18,166	\$ 18,166	\$ 81,332
2007-08			5.30	45,000	16,985	16,985	78,970
2008-09			5.30	50,000	15,793	15,792	81,585
2009-10			5.40	50,000	14,468	14,467	78,935
2010-11			5.40	55,000	13,118	13,117	81,235
2011-12			5.50	60,000	11,633	11,632	83,265
2012-13			5.50	65,000	9,983	9,982	84,965
2013-14			5.60	70,000	8,195	8,195	86,390
2014-15			5.60	70,000	6,235	6,235	82,470
2015-16			5.70	75,000	4,275	4,275	83,550
2016-17			5.70	75,000	2,138	2,137	79,275
				<u>\$ 660,000</u>	<u>\$ 120,989</u>	<u>\$ 120,983</u>	<u>\$ 901,972</u>
	Date of Issue	Amount of Issue	Interest Rate	Annual Principal June 1	Semiannual Interest Payment December 1	June 1	Total Fiscal Year Requirement
2001 Waste Treatment / Water Fund Enterprise Fund Saginaw County DPW Bond	10/16/2001	1,660,000	4.24				
2006-07				\$ 105,000	\$ 26,260	\$ 26,260	\$ 157,520
2007-08				110,000	24,423	24,422	158,845
2008-09				115,000	22,415	22,415	159,830
2009-10				120,000	20,258	20,259	160,517
2010-11				125,000	17,949	17,948	160,897
2011-12				130,000	15,448	15,449	160,897
2012-13				135,000	12,816	12,816	160,632
2013-14				145,000	9,981	9,981	164,962
2014-15				150,000	6,864	6,863	163,727
2015-16				155,000	3,526	3,526	162,052
				<u>\$ 1,290,000</u>	<u>\$ 159,940</u>	<u>\$ 159,939</u>	<u>\$ 1,609,879</u>

See independent auditor's report.

City of Frankenmuth  
Schedule of Indebtedness (continued)  
June 30, 2006

	Date of Issue	Amount of Issue	Interest Rate	Annual Principal April 1	Semiannual Interest Payment October 1	April 1	Total Fiscal Year Requirement
1999 G.O. SRF WTP	4/1/1998	6,645,000	2.25				
2006-07				\$ 310,000	\$ 52,256	\$ 52,256	\$ 414,512
2007-08				320,000	48,769	48,769	417,538
2008-09				325,000	45,169	45,169	415,338
2009-10				335,000	41,513	41,513	418,026
2010-11				340,000	37,744	37,744	415,488
2011-12				350,000	33,919	33,919	417,838
2012-13				355,000	29,981	29,981	414,962
2013-14				365,000	25,988	25,988	416,976
2014-15				370,000	21,881	21,881	413,762
2015-16				380,000	17,719	17,719	415,438
2016-17				390,000	13,444	13,444	416,888
2017-18				400,000	9,056	9,056	418,112
2018-19				405,000	4,556	4,556	414,112
				<u>\$ 4,645,000</u>	<u>\$ 381,995</u>	<u>\$ 381,995</u>	<u>\$ 5,408,990</u>

**Business-type Activities**  
**Special Assessment Bonds**

	Date of Issue	Amount of Issue	Interest Rate	Annual Principal October 1	Semiannual Interest Payment October 1	April 1	Total Fiscal Year Requirement
2002 S.A. E.Tuscola Area	4/22/2002	1,225,000	4.38				
2006-07				\$ 85,000	\$ 20,180	\$ 18,480	\$ 123,660
2007-08				90,000	18,480	16,680	125,160
2008-09				85,000	16,680	14,980	116,660
2009-10				90,000	14,980	13,180	118,160
2010-11				85,000	13,180	11,438	109,618
2011-12				90,000	11,437	9,570	111,007
2012-13				85,000	9,570	7,785	102,355
2013-14				90,000	7,785	5,850	103,635
2014-15				85,000	5,850	3,980	94,830
2015-16				90,000	3,980	1,955	95,935
2016-17				85,000	1,955	-	86,955
				<u>\$ 960,000</u>	<u>\$ 124,077</u>	<u>\$ 103,898</u>	<u>\$ 1,187,975</u>

See independent auditor's report.

City of Frankenmuth  
Schedule of Indebtedness (continued)  
June 30, 2006

**Governmental Activities**  
**Special Assessment Bonds**

	Date of Issue	Amount of Issue	Interest Rate	Annual Principal October 1	Semiannual Interest Payment October 1	April 1	Total Fiscal Year Requirement
2001 DDA Phase 3/Georgetown	6/19/2001	750,000	5.07				
2006-07				\$ 40,000	\$ 13,856	\$ 12,956	\$ 66,812
2007-08				45,000	12,956	11,944	69,900
2008-09				45,000	11,943	10,931	67,874
2009-10				45,000	10,931	9,919	65,850
2010-11				40,000	9,918	9,019	58,937
2011-12				45,000	9,018	8,006	62,024
2012-13				45,000	8,006	6,960	59,966
2013-14				45,000	6,960	5,835	57,795
2014-15				40,000	5,835	4,835	50,670
2015-16				45,000	4,835	3,710	53,545
2016-17				15,000	3,710	3,313	22,023
2017-18				15,000	3,312	2,915	21,227
2018-19				15,000	2,915	2,518	20,433
2019-20				15,000	2,517	2,120	19,637
2020-21				15,000	2,120	1,723	18,843
2021-22				15,000	1,722	1,325	18,047
2022-23				15,000	1,325	928	17,253
2023-24				15,000	927	530	16,457
2024-25				10,000	530	265	10,795
2025-26				10,000	265	-	10,265
				<u>\$ 575,000</u>	<u>\$ 113,601</u>	<u>\$ 99,752</u>	<u>\$ 788,353</u>

	Date of Issue	Amount of Issue	Interest Rate	Annual Principal October 1	Semiannual Interest Payment October 1	April 1	Total Fiscal Year Requirement
1997 S.A. DDA Phase I	8/1/1997	1,415,000					
2006-07			4.70	\$ 60,000	\$ 24,235	\$ 22,825	\$ 107,060
2007-08			4.80	55,000	22,825	21,505	99,330
2008-09			4.90	60,000	21,505	20,035	101,540
2009-10			5.00	60,000	20,035	18,535	98,570
2010-11			5.10	60,000	18,535	17,005	95,540
2011-12			5.15	60,000	17,005	15,460	92,465
2012-13			5.20	55,000	15,460	14,030	84,490
2013-14			5.25	60,000	14,030	12,455	86,485
2014-15			5.30	60,000	12,455	10,865	83,320
2015-16			5.30	60,000	10,865	9,275	80,140
2016-17			5.30	55,000	9,275	7,818	72,093
2017-18			5.30	60,000	7,817	6,227	74,044
2018-19			5.30	60,000	6,228	4,637	70,865
2019-20			5.30	60,000	4,638	3,047	67,685
2020-21			5.30	60,000	3,048	1,457	64,505
2021-22			5.30	55,000	1,458	-	56,458
				<u>\$ 940,000</u>	<u>\$ 209,414</u>	<u>\$ 185,176</u>	<u>\$ 1,334,590</u>

City of Frankenmuth  
Schedule of Indebtedness (continued)  
June 30, 2006

				Annual Principal	Semiannual Interest Payment		Total Fiscal Year Requirement
	Date of Issue	Amount of Issue	Interest Rate	November 1	November 1	May 1	
1988 Homestead Village	9/29/1988	295,000					
2006-07			7.70	\$ 15,000	\$ 1,925	\$ 1,347	\$ 18,272
2007-08			7.70	15,000	1,348	770	17,118
2008-09			7.70	20,000	770	-	20,770
				<u>\$ 50,000</u>	<u>\$ 4,043</u>	<u>\$ 2,117</u>	<u>\$ 56,160</u>
	Date of Issue	Amount of Issue	Interest Rate	Annual Principal September 1	Semiannual Interest Payment September 1	March 1	Total Fiscal Year Requirement
1999 S.A. Major Street	8/9/1999	332,000	5.13				
2006-07				\$ 25,000	\$ 4,863	\$ 4,263	\$ 34,126
2007-08				25,000	4,264	3,658	32,922
2008-09				25,000	3,657	3,045	31,702
2009-10				20,000	3,045	2,545	25,590
2010-11				20,000	2,545	2,040	24,585
2011-12				20,000	2,040	1,530	23,570
2012-13				20,000	1,530	1,020	22,550
2013-14				20,000	1,020	510	21,530
2014-15				20,000	510	-	20,510
				<u>\$ 195,000</u>	<u>\$ 23,474</u>	<u>\$ 18,611</u>	<u>\$ 237,085</u>
	Date of Issue	Amount of Issue	Interest Rate	Annual Principal September 1	Semiannual Interest Payment September 1	March 1	Total Fiscal Year Requirement
1999 S.A. DDA North Main Overhead Wires	12/29/1999	380,000	5.90				
2006-07				\$ 15,000	\$ 8,341	\$ 7,958	\$ 31,299
2007-08				15,000	7,957	7,563	30,520
2008-09				15,000	7,564	7,170	29,734
2009-10				15,000	7,170	6,773	28,943
2010-11				15,000	6,772	6,367	28,139
2011-12				15,000	6,368	5,955	27,323
2012-13				15,000	5,955	5,535	26,490
2013-14				15,000	5,535	5,107	25,642
2014-15				15,000	5,108	4,673	24,781
2015-16				15,000	4,672	4,230	23,902
2016-17				15,000	4,230	3,780	23,010
2017-18				15,000	3,780	3,330	22,110
2018-19				15,000	3,330	2,880	21,210
2019-20				15,000	2,880	2,430	20,310
2020-21				20,000	2,430	1,830	24,260
2021-22				20,000	1,830	1,220	23,050
2022-23				20,000	1,220	610	21,830
2023-24				20,000	610	-	20,610
2024-25				<u>\$ 290,000</u>	<u>\$ 85,752</u>	<u>\$ 77,411</u>	<u>\$ 453,163</u>

See independent auditor's report.

City of Frankenmuth  
Schedule of Indebtedness (continued)  
June 30, 2006

	Date of Issue	Amount of Issue	Interest Rate	Annual Principal September 1	Semiannual Interest Payment September 1	March 1	Total Fiscal Year Requirement
1999 S.A. DDA North Main Streetscape	6/22/2000	295,000	5.95				
2006-07				\$ 15,000	\$ 6,790	\$ 6,378	\$ 28,168
2007-08				10,000	6,377	6,102	22,479
2008-09				15,000	6,103	5,690	26,793
2009-10				10,000	5,690	5,415	21,105
2010-11				15,000	5,415	5,003	25,418
2011-12				10,000	5,002	4,727	19,729
2012-13				10,000	4,728	4,448	19,176
2013-14				15,000	4,447	4,020	23,467
2014-15				10,000	4,020	3,730	17,750
2015-16				15,000	3,730	3,291	22,021
2016-17				10,000	3,291	2,996	16,287
2017-18				15,000	2,996	2,550	20,546
2018-19				10,000	2,550	2,250	14,800
2019-20				15,000	2,250	1,800	19,050
2020-21				10,000	1,800	1,500	13,300
2021-22				15,000	1,500	1,050	17,550
2022-23				10,000	1,050	750	11,800
2023-24				15,000	750	300	16,050
2024-25				10,000	300	-	10,300
				<u>\$ 235,000</u>	<u>\$ 68,789</u>	<u>\$ 62,000</u>	<u>\$ 365,789</u>

	Date of Issue	Amount of Issue	Interest Rate	Annual Principal April 1	Semiannual Interest Payment October 1	April 1	Total Fiscal Year Requirement
2004 GO Weiss Street	2/11/2004	1,800,000	4.24				
2006-07				\$ 60,000	\$ 33,465	\$ 33,465	\$ 126,930
2007-08				60,000	32,880	32,880	125,760
2008-09				60,000	32,175	32,175	124,350
2009-10				60,000	31,380	31,380	122,760
2010-11				65,000	30,510	30,510	126,020
2011-12				70,000	29,470	29,470	128,940
2012-13				75,000	28,280	28,280	131,560
2013-14				80,000	26,930	26,930	133,860
2014-15				85,000	25,410	25,410	135,820
2015-16				90,000	23,731	23,731	137,462
2016-17				100,000	21,909	21,909	143,818
2017-18				110,000	19,809	19,809	149,618
2018-19				115,000	17,471	17,471	149,942
2019-20				120,000	14,970	14,970	149,940
2020-21				125,000	12,300	12,300	149,600
2021-22				130,000	9,487	9,488	148,975
2022-23				135,000	6,498	6,497	147,995
2023-24				140,000	3,325	3,325	146,650
				<u>\$ 1,680,000</u>	<u>\$ 400,000</u>	<u>\$ 400,000</u>	<u>\$ 2,480,000</u>

City of Frankenmuth  
Schedule of Indebtedness (continued)  
June 30, 2006

	<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Interest Rate</u>	<u>Annual Principal September 1</u>	<u>Semiannual Interest Payment September 1</u>	<u>March 1</u>	<u>Total Fiscal Year Requirement</u>
2001 S.A. DDA							
Snowmelt	9/1/2001	490,000	4.29				
2006-07				\$ 25,000	\$ 8,249	\$ 7,836	\$ 41,085
2007-08				25,000	7,836	7,399	40,235
2008-09				35,000	7,399	6,760	49,159
2009-10				40,000	6,760	6,000	52,760
2010-11				40,000	6,000	5,200	51,200
2011-12				40,000	5,200	4,390	49,590
2012-13				40,000	4,390	3,560	47,950
2013-14				40,000	3,560	2,700	46,260
2014-15				40,000	2,700	1,820	44,520
2015-16				40,000	1,820	920	42,740
2016-17				40,000	920	-	40,920
				<u>\$ 405,000</u>	<u>\$ 54,834</u>	<u>\$ 46,585</u>	<u>\$ 506,419</u>
Totals				<u>\$ 19,146,636</u>	<u>\$ 2,704,719</u>	<u>\$ 2,574,456</u>	<u>\$ 24,425,811</u>

See independent auditor's report.